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EC STEEL

Producers sense an imminent downturn

Page 2

World News

China arrests may herald crackdown on dissent

Thousands of Peking residents gathered in Tiananmen Square last night to condemn the arrests earlier of three men who had formed an independent workers' union.

The arrests could herald a broader crackdown against dissent. The men were held at a police station near the square, which was surrounded by protesters. Page 20

Nuclear work stops

Construction of West Germany's nuclear processing complex at Wackersdorf in Bavaria will stop today ahead of an official decision to abandon the project. Page 2

EC funds for cities

European Community funds for inner city problem areas will be made available under an initiative announced by Bruce Millan, regional policy commissioner. Page 2

Hong Kong vote call

Hong Kong's political leaders called for the chief executive, who will run the colony when it reverts to Chinese sovereignty in 1997, to be directly elected by universal suffrage before 2003. Page 6

Police chief escapes

A car bomb attack on General Miguel Maza Marquez, head of Colombia's state security police, killed two people. The general escaped with bruises.

10,000 homeless

At least 10,000 people were made homeless after heavy rains washed away part of an embankment on the river Teesta in northern Bangladesh.

Boat people stalled

Several hundred Vietnamese boat people were last night being accommodated in driving rain on a remote Hong Kong island because the Government can find nowhere else to put new arrivals. Page 5

Reporter charged

A television reporter who obtained a leaked copy of Canada's budget and four other men were charged with illegal possession of a stolen document.

Gulf reassured

Lord Young, British Secretary of State for Trade and Industry, moved to reassure Gulf states about access for their exports to the European Community after 1992. Page 5

Gorbachev visit

Soviet leader Mikhail Gorbachev departed from the usual etiquette of state visits by accepting an invitation to address Ruhr steelworkers when he visits West Germany. Page 2

Poll results

More than a million Italian voters in communal elections rewarded the Christian Democrats and the Socialists for their recent defeat of the country's 48th post-war government. Page 4

Miners accept 13.5%

South Africa's 26,000 white miners agreed a wage increase slightly below the 14 per cent inflation.

Cuba plans liner

Cuba completed arrangements for the construction of a $250m, 1,200-room ocean liner. Cuba said it would be built and financed by Naval HB Mettal Band of West Germany.

Business Summary

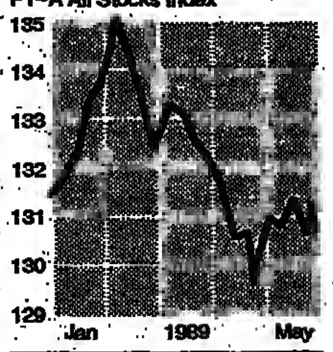
Hills mounts defence of 'unfair' US trade policy

THE US decision to name Japan, Brazil and India as unfair trading partners could be seen as a way of opening markets and expanding world trade, said Mrs Carla Hills, the US special trade representative yesterday. Page 20

UK GILTS: Sterling's nosedive on the foreign exchange markets revived fears of 15 per cent base rates in the UK as yields on long-dated gilts

Gilts

FT-A All Stocks Index



nudged 10 per cent. The FT-Actuaries All Stock Index lost 0.36 to end the day at 130.7 compared with Friday's 131.18. Page 26

THE European Commission issued a formal objection under EC competition rules to the Fl 390m ($110m) takeover by Douwe Egberts, food and household products group, of Van Nelle, company's main rival in the Benelux market for ground coffee. Page 21

COMMERZBANK, West German commercial bank, plans to extend its activities further into the financial services area by increasing its sales co-operation with DBV + Partner Versicherungen, a nationally represented insurance company. Page 22

ORKEM, French state-owned chemicals company, is holding talks about a possible asset swap in the polyethylene sector with Enimont, Italian chemicals concern. Page 22

FIAT, Italian motor group, unveiled a record profits and announced plans to spend up to L1,000bn ($689m) buying in its own shares. Page 22

QUANTUM Chemical, big US chemical group, joined forces with First Boston in an equally owned partnership (QFB) to buy Panhandle Eastern's propane gas unit, Petrolane Partners, for $1.18bn. Page 23

JAPAN Air Lines and All Nippon Airways, Japan's two largest airlines, reported large profit increases in the year as a result of booming demand on both domestic and international routes. Page 24

EL AL, Israel's state-owned airline which has been in receivership since 1982, achieved $18.8m in profits for 1988 despite a sharp fall in passenger numbers due to the Palestinian uprising. Page 23

PENNWALT Corporation, Philadelphia-based chemicals group sold Wallace & Tiernan, water treatment division, to management teams in Britain, US and Germany in a deal valued at $75m. Page 23

BID battle over Gateway, Britain's third largest food retail group, intensified as the bidder, the newly formed Isosceles company, raised its terms and made its first market purchases. Page 20

JAPAN'S ball bearing industry was threatened with higher anti-dumping duties on Ecu 72.6m ($77m) worth of its exports to the European Community. Page 7

REED International, publishing and information group is to buy Independent Television Publications, publishers of TV Times, the UK commercial television listings magazine. Page 21

Nato compromise opens way for fresh arms talks

By Robert Mauthner and David White in Brussels

EAST-WEST arms control talks received a fresh impetus yesterday, after Nato heads of government agreed to a compromise on the iseue of short-range nuclear weapons.

The agreement required Britain and West Germany to make concessions. It opens the way for further arms control negotiations with the Soviet Union – albeit under strict conditions – and is a boost to tha western alliance after weeks of disagreement.

It comes after US President George Bush proposed on Monday to cut US forces in Europe by 20 per cent in return for drastic cuts in Soviet forces.

That initiative was hailed by Mr Eduard Shevardnadze, the Soviet foreign minister, as a "serious and important step in the right direction."

Yesterday's Nato compromise gives way partly to West German-led demands for negotiations on short-range nuclear systems, which the US and Britain have always considered essential for Nato's defence. However, the agreement links such talks – which would be limited to US and Soviet land-based missiles – to concrete progress in conventional arms reductions being negotiated in Vienna.

The summit's outcome was seen as a personal triumph for President Bush, who until recently faced criticism at home for taking a passive stance on foreign policy.

Under the compromise, implementation of negotiated conventional reductions would have to start before any nuclear talks could begin. Any actual cuts in Nato nuclear forces would also only be partial and would have to follow conventional rednctions and unilateral cuts by Moscow in its more numerous short-range missiles.

Strong reservations by Mrs Margaret Thatcher, Britain's Prime Minister, were overcome throngh language which clearly committed Nato to maintaining nuclear forces in Europe – inclnding missiles – for "the foreseeahle future".

Although Nato governments voiced satisfaction at the compromise agreement, some differences of interpretation emerged after the summit ended.

The US and Britain stressed that a "third zero" eliminating Enropean-hased short-range weapons was ruled out. West German officials, however, emphasised that a decision on modernising short-range nuclear weapons had been put off and that the summit texts did not rule out total abolition of such weapons in the long run.

Mrs Thatcher said: "Wriggle as some people may, that (continued deployment of some missiles) is what they've signed up to." Mrs Thatcher, who led the most forceful campaign against any negotiations on short-range nuclear negotiations, described the summit as "entirely satisfactory."

The compromise was reached after about eight hours of last-ditch haggling by foreign ministers on Monday night – and the lifting yesterday of a formal British reservation. The agreement enahled Nato to complete its so-called Comprehensive Concept, which

Summit, Page 3; Editorial comment, Page 18
Continued on Page 20

Five killed, 800 arrested in Argentine food riots

By Gary Mead in Buenos Aires

FIVE PEOPLE were killed yesterday and more than 800 arrested during food riots in Rosario, Argentina's third largest city, putting further pressure on the beleaguered administration of President Raul Alfonsin.

The unrest was spreading last night to the poor suburbs of the capital, Buenos Aires, despite the imposition of a national state of emergency on Monday. Two bombs exploded in the Buenos Aires financial centre, injuring two people.

The violence has given rise to Argentina's most serious political crisis for 5½ years, heightening the political vacuum felt since the Radical government lost the presidential and parliamentary elections to the Peronists on May 14.

In Rosario, a city of 1m people, which in common with the rest of the country is under a dusk-to-dawn curfew, there were further clashes yesterday as police used tear gas and rubber bullets against looters trying to raid supermarkets.

The state of emergency – the second imposed hy President Raul Alfonsin since taking office in December 1983 – followed several days of looting in Rosario, and the announcement on Sunday of a new emergency economic package described by the President as ushering in a "war economy."

Mr Juan Carlos Pugliese, who took over last week as Interior Minister, said gronps "of the extreme left" were responsible for "orchestrating" the lootings and added that both "ultra-left and ultra-right groups have an interest in an attack against democracy."

Mr Luis Zamora of the left-wing opposition group "Movement towards Socialism" (MAS), who was elected a national Congress deputy on May 14, described Mr Pugliese's remarks as "false accusations" and a "smokescreen" to obscure Government responsibility for events in Rosario, "which are the result of its economic policy of hunger and price increases."

Mr Zamora called for an immediate general wage increase of 100 per cent to be index-linked on a weekly basis.

Political uncertainty has magnified the problems facing Argentina. Mr Carlos Menem, the president-elect, is due to take office on December 10, but he has suggested that the date may be advanced to September. His Peronist party is being called on by President Alfonsin to underwrite last Sunday's economic programme.

Background, Page 8

Pacific Stock Exchange plans memory chip futures market

By Louise Kehoe in San Francisco

FUTURES traders in San Francisco aim to chip in to a new multi-billion dollar hi-tech market. Until now they have concentrated on commodity and financial products but the Pacific Stock Exchange has come up with plans to create a market to trade futures contracts on semiconductor memory chips.

The proposal, a sharp departure from the traditional commodities traded on futures markets, is believed to be the first formal move to establish a financial instrument based on electronics products.

The plan envisages establishing a market for futures contracts on dynamic random access memory (Dram) chips, the most widely used type of computer data storage devices. The market would start in the first quarter of 1990.

World wide sales of Drams totalled $6bn last year, of which more than 80 per cent were produced in Japan. An official of the Pacific Stock Exchange said Drams had become "a modern-day commodity" because they were an essential raw material in the electronics industry.

Dram prices have soared over the past two years as demand ontstripped supply, hut prices have begun to decline rapidly recently, leaving some US computer companies with big stocks of chips that are falling in value.

The futures market will create a "hedging tool" to enable Dram buyers to protect themselves from price volatility. With a futures contract, the commodity buyer can lock into a price by arranging delivery at a specified future time.

The exchange plans to file an application with the Commodity Futures Trading Commission within two weeks for permission to set up the market for chip futures. Dr Maurice Mann, chairman of the PSE, said the decision followed more than a year of discussion with the commission and the electronics industry.

A trade clearing house for the Dram futures has been set up by a group of semiconductor, electronics and trading experts in San Francisco. This group, Memory Clearing Corporation, had come up with the idea of creating the market and worked with the PSE and electronics industry to develop contract specifications.

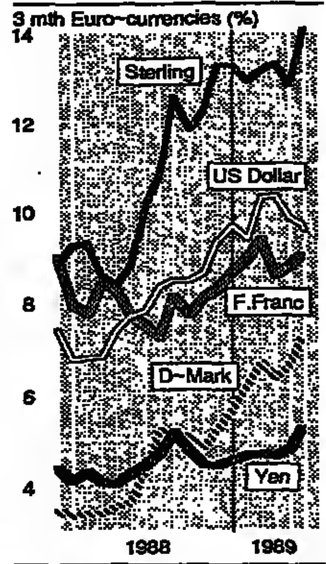
Memory Clearing Corporation will also estahlish a short-term cash market for Drams, guaranteeing delivery within a few days.

Deborah Hargreaves in Chicago adds: The Chicago Board of Trade, the world's largest futures exchange, has seen some outlandish suggestions for futures contracts.

Mr Tom Coleman, head of product development, remembers a proposal to trade a futures contract hased on advertising time – a chunk of advertising space in the evening news heing deliverahle against a contract. Another idea that never got off the ground was to trade futures on railway sleepers.

Short term interest rates around the World

3 mth Euro-currencies (%)



£ comes under new selling pressure

By Simon Holberton in London and Janet Bush in New York

STERLING fell sharply on foreign exchange markets yesterday despite last week's rise in base rates to 14 per cent, while the US dollar showed signs of renewed strength.

Sterling closed at its lowest level since last Fehruary on the Bank of England's trade-weighted sterling index, which ended 0.9 lower at at 92.5.

The pound came under renewed and hroadly hased selling pressure in late European trading – pressures similar to those which a week ago forced the UK Government to raise interest rates to 14 per cent. In London, the pound closed almost 3 pfg lower at DM3.1325 and 3 cents down at $1.5585.

After yesterday's steep fall in sterling some analysts were left wondering what was needed to maintain the pound's value internationally. The London equity market suffered after sterling's late fall with the FT-SE 100-Share Index ending 10.3 down at 2,130.

The US currency was indifferent to the first rise in the Japanese discount rate in nine years and a concerted round of central hank intervention. In Europe it ended 2 pfg and Y2 higher at DM2.0095 and Y143.4, respectively. In New York, the dollar closed at DM1.99325 and

Japanese rate rise, Page 5; Lex, Page 20; London Stock Exchange, Page 35; Currencies, Page 42.
Continued on Page 20

Gorbachev postpones Soviet polls

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet president, yesterday announced the postponement of the next round of elections in the country, in a concession to head off a threatened mass revolt hy officials of the ruling Communist Party.

In exchange, however, he promised a second session of the newly-elected Congress of People's Deputies in the autumn. The Congress is proving to be a traumatic exercise in trial by television for the Soviet leadership.

Mr Gorbachev also promised national referenda on the most important new laws in a massive legislative agenda of almost 50 items, intended to be the foundation of a "socialist law-based state."

At the same time, he called for greater "order and discipline" in the increasingly turbulent political debate across the country.

Mr Gorbachev's retreat on the next democratic test for the ruling party was revealed to the Congress yesterday in his long-awaited report on the state of the nation, a two-hour exposé of the raft of economic, social and political prohiems exposed hy his perestroika reform process.

He said the elections would have to be postponed from the autumn to next spring, because of the need to prepare a new – and more democratic – election law, which would have to be approved at a second session of the Congress.

The prospect of facing a new round of voting in the autumn, after the resounding defeat of a string of leading party officials in the polls of the past two months, had already caused open revolt at the plenary meeting of the Communist Party central committee earlier this month.

Mr Gorbachev was told that many party leaders in the provinces would flatly refuse to stand, because simply to be a party official was seen as a sure way of being defeated.

Progressives within the party and outside were forecasting a humiliating defeat for the full-time party secretaries who run the system.

The election concession was the most significant in a deliberately conciliatory speech hy the Soviet leader, obviously conscious of the continuing conservative majority in the new Congress.

He dwelt at length on the profound economic and social prohlems which have become, if anything, more acute thanks to the upheaval caused hy his reform process. But he produced no radical new ideas to tackle the shortages of housing, consumer goods, and food in the shops, other than exhortation to try harder.

The Soviet leader did not back away from his commitment to continue the reforms, and repeated his determination to introduce new forms of property ownership - provided there was no "exploitation" - and the development of a "socialist market."

In spite of widespread hostility to them, he urged that co-operatives – private enterprise in another guise – "must be made full use of."

He warned, however, against those who might think the market was a solution to all the economic ills of the country. "We do not share such an approach, because this would immediately disrupt the entire social system," he said.

He admitted to "very acute debates in our society." But he said the party leadership – in the central committee – had analysed the situation: "The general conclusion is that the strategic ideas of the reforms, and the hasic direction, are correct. But in practically fulfilling them, in all directions there are mistakes. There are zigzags, and wrong directions are taken."

He sought to reassure the increasingly restive non-Russian repuhlics that genuine devolution of political and economic anthority would be introduced, hut he warned that the lack of discipline and order "is undermining democracy."

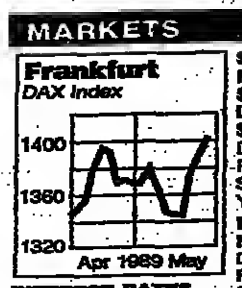
However, in a neat irony, in view of the majority of Communist Party conservatives still dominating the Congress, he praised them as the guarantors of perestroika, "protecting it from sliding into conservative and reactionary elements."

Gorbachev to meet Ruhr workers, Page 2

Mr Dzhnmher Patiashvili, former Communist Party leader in Georgia, has accused Mr Viktor Chebrikov, former head of the KGB, and General Dmitri Yazov, Defence Minister, of being involved in Moscow's decision to use troops to break up a nationalist demonstration in Georgia in April in which 20 people died. Page 28

MARKETS

Frankfurt
DAX Index



INTEREST RATES
US lunchtime
Federal Funds 9¾% (9$\frac{11}{16}$)
3-mth Treasury Bills: yield: 8.78% (9.02)
Long Bond: 102$\frac{15}{16}$ (102⅞)
yield: 8.59% (8.61)
London
3-month interbank: close 14$\frac{1}{32}$% (13$\frac{29}{32}$)

STERLING
New York close
$1.5720 (1.5900)
London:
$1.5585 (1.5890)
DM3.1325 (3.1600)
FFr10.6100 (10.7025)
SFr2.7350 (2.7575)
Y223.50 (224.75)

DOLLAR
New York close
DM1.99325 (1.9835)
FFr6.7635 (6.7170)
SFr1.7345 (1.7315)
Y142.745 (141.15)
London:
DM2.0095 (1.9890)
FFr6.8075 (same)
SFr1.7550 (1.7360)
Y143.40 (141.40)

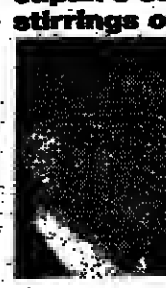
GOLD
New York latest Comex Aug
$369.1 (368.7)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,475.55 (-18.22)
S&P Comp
298.60 (-1.44)
London:
FT-SE 100
2,130.0 (-10.3)
World:
143.09 (Fri)
Tokyo
Nikkei Ave
34,076.89 (-83.94)
Frankfurt
Commerzbank
1,738.4 (+25.4)

OIL
Brent 15-day (Argus)
$18.05 (+0.675) (June)
West Tex Crude
$18.775 (+0.675) (July)

CONTENTS

Japan's strongmen subdue stirrings of political reform



Prime Minister Noboru Takeshita is to resign as a result of the Recruit scandal. But he is already leading moves within the ruling Liberal Democratic Party to minimise the impact of reforms.
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EUROPEAN NEWS

Gorbachev to meet Ruhr workers

By David Goodhart in Bonn

MR Mikhail Gorbachev, the Soviet leader, has departed from the usual etiquette of state visits by accepting an invitation to address a mass gathering of Ruhr steelworkers when he visits West Germany in two weeks' time.

The idea was dreamed up hy works council and union officials in Dortmund in 1987 to highlight their anxiety abont job losses. Works councillors at Hoesch, Thyssen, Krupp and Mannesmann, the heavy industrial groups, wrote to the Soviet leader calling for more economic co-operation "to extend and develop our common European house".

Much to the surprise of Mr Werner Nass, tha Hoesch works council chairman, he received a response from Mr Gorbachev through Mr Yuli Kvitsinsky, the Soviet ambassador. The Soviet leader did not miss the opportunity of scoring some political points.

"You are right," he wrote, "in emphasising that industry in the Ruhr, which is now fighting for breath in the framework of the European Economic Community, would have entirely different opportunities and prospects in a context extending from the Atlantic to the Urals."

Now, following an official invitation from the Hoesch company too, Mr Gorbachev has agreed to take a short detour during his three-day visit to talk to an expected 5,000 workers from the Ruhr in Hoesch's new cold steel rolling mill in Dortmund.

Hoesch no doubt hopes that the cost of stopping production for one hour will be more than compensated by further improvement in its trade relations with the Soviet Union.

Mr Detlev Rohwedder, the chief executive, visited Moscow last year with Chancellor Helmnt Kohl's delegation of industrialists and again this year with Mr Hans-Jochen Vogel, the Social Democrat leader. Last year Hoesch sold DM 220m (£68.8m) of steel and capital goods to the Soviet Union and bought DM 50m of metals.

Mr Gorbachev will also meet hnsinessmen in Dusseldorf, Stuttgart and Cologne. Big trade agreements are not expected but it is possible that some large contracts could be announced.

Steel producers sense a draught

William Dawkins on EC discussions about an expected downturn

EUROPE'S steel prodncers have a niggling fear that the party might nearly be over.

The industry has not had it so good for years. Output and prices have climbed strongly since late 1986, bar the usual seasonal blips, and forecasts for the rest of the year are on the whole good. But the European Community's big steelmakers are already discussing how to soften the impact of the inevitable downturn. The Europeao Commission's forecasters are expecting the current upturn to run out of steam towards the end of this year or early next.

Some members of Eurofer, the club of big integrated steelmakers, want Brussels' help. The Commission, which has much more power to intervene in steel than in any other industry, was a fine ally during the steel crisis of the early 1980s. Then it set up a system of mandatory production quotas – now defunct – to provide a base for the industry as companies restructured. Now a growing body, said to include tbe French, Italian, West German and Belgian producers, want the Commission to prepare a voluntary emergency code to be triggered when a downturn hits. The aim would be to give producers guidance on production and prices.

While Eurofer has made no official approach to Brussels, Commission officials have registered their fears. And they have no sympathy. It is less than a year since Brussels won EC governments' reluctant agreement to scrap the eight-year-old quota system and it certainly does not want to discard that hard-won victory now.

Instead, the Commission sees its job as to promote free competition in the steel industry in the run-up to the 1992 creation of a single market. That means cracking down on state subsidies – where the Commission is embroiled in a wrangle with the Italian government over subsidies to its state-owned steelmaker – and applying anti-dumping regulations to imports. The most the Commission is prepared to do for Eurofer is to continue its monitoring roie of pushing out quarterly production forecasts, a system set np to follow the ending of the old quota regime last July and designed to give producers early warning of a downturn.

Even if it gets nowhere, the latest debate within Eurofer does invite the question of what lies beneath steel producers' fears. At first sight, they have nothing to worry abont. EC crude steel output rose 9 per cent to 137m tonnes last year and is continuing that trend, supported by the fastest growth in industrial investment for 20 years and strong demand from the car and construction industries.

The Commission is as a result re-appraising its estimate of 20m tonnes underlying surplus capacity, the EC industry's most basic problem. Even so, there is still a big overhang. Officials reckon that output is running at 3 to 4 per cent higher than consumption, suggesting that the industry is still a long way from making all the closures needed to bring the market into true balance.

What worries the steel producers today are high inventories, a sudden surge in imports from Third World producers and a flattening of prices. Stockholders and steel users are on average keeping three to four months' supply in most products, a steep rise over the past 18 months, say Commission officials.

It is an ideal time for steel consumers. Most products are easy to obtain, and delivery times are getting shorter for all bnt galvanised sheet, where there is a world shortage. Prodncers, by contrast, fear that stockholders might suddenly dump their surpluses, turning their fears of a price fall into an uncontrollable reality.

All these uncertainties have already contributed to a softening of prices in some key steel products. Commission officials reckon that prices for flat steels, like hot rolled coil as sold to the car industry, have stabilised over the past two months after rising by 3 to 5 per cent annually over the past two years. Prices for long products, like girders, wire and bars, are still climbing hy around 10 per cent annually because of the construction sector's continued growth. But then price movements in long products have traditionally lagged behind changes in flat products.

Import penetration fell slightly in 1988, only to rebound worryingly in the first quarter of this year from 8 to 10 per cent of EC consumption, according to Eurofer. The main sources are Turkey, China and Yugoslavia, which is awaiting the results of an EC inquiry into dumping of cold rolled sheet. Nobody is quite sure whether this is a freak or a sign of underlying European uncompetitiveness.

The increase is still within the confidential bilateral restraints tha EC imposes on 12 exporters, mainly from Scandinavia, Eastern Europe, Asia and Latin America, though Turkey and China do not form part of these. But the Commission is under strong pressure from steel consumers to end these arrangements. This will provoke protests from steel producers, who believe the EC market is already the most open in the world.

This is at a time when Eurofer members are equally uncertain how to plan their own exports. Their sales to the important US market are currently controlled by a voluntary restraint agreement which expires on September 30 and has as yet nothing to replace it.

The accord limits Community exports to the US to 5m tonnes annually, a potentially crucial outlet in difficult times. President George Bush has hinted that he wants to keep soma kind of restraint accord but Washington has kept EC steelmakers on tenterhooks by failing to come out with any firm proposals.

British businesses excluded from Soviet employee quota

By Quentin Peel in Moscow

THE SOVIET UNION annonnced yastarday a reprieve for British businesses and joint ventures in the Soviet Union, exempting them from the effect of a qnota restriction on their Soviet employees.

The only organisation now likely to be immediately hit by the qnota – imposed in retaliation for a long-standing British quota on Soviet employees in London – is the British embassy.

However, the ceiling of 205 on all accredited British representatives in Moscow, inclnding hnainessmen, journalists, diplomats, and the Soviet staff of the British embassy, is still likely to cause prohlems for any new organisation wishing to establish an office in Moscow.

The key concession announced yesterday by Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, is that Soviet amployees of British husinesses and newspaper correspondents will not be included in the quota.

The qnota was first announced last week, and included all British and Soviet employees in all accredited British offices in Moscow – meaning a cut of 169 in their staff, or more than two out of every three Soviet employees.

The move would have had a chaotic effect on British business, removing key personnel like interpreters, sales and technical staff.

Negotiations on the meaning of the quota are continuing hetwaen British embassy officials and the Soviet Foreign Ministry. However, if the quota is applied as now defined, it would still mean that perhaps 40 Soviet staff would be cut of the 110 employed by the embassy and diplomats' families.

Mr Gerasimov said that both the British-Soviet Chamber of Commerce, and any British-Soviet joint ventures, were exempted from the quota for both British and Soviet staff, removing an anomaly which would have probabiy have blocked any joint venture plans in the pipeline.

There are currently some 140 accredited British diplomats, businessmen and journalists in Moscow.

EC money for inner city problem areas

By Hazel Duffy

EUROPEAN COMMUNITY funds for inner city problem areas will be made available under an initiative announced yesterday by Mr Bruce Millan, regional policy commissioner.

Some cities were disappointed that the strict qualifying criteria on unemployment records and industrial decline made them ineligible earlier this year for money from the restructured Regional Development Fund. Parts of Madrid and a small area in the Netherlands were the only inner city places to qualify.

Speaking in Madrid yesterday, Mr Millan admitted many areas had "very real social and economic problems". He had found a way within fund regulations to give him access to money provided for studies and pilot schemes for promoting regional policy.

Snbjact to similar action being agreed by Mrs Vasso Papandreou, social affairs commissioner, resources from the regional fund and European social fund will be put together to provide help.

Inner London areas have been submitted for consideration. Hamburg, Marseilles, Rotterdam could also benefit.

Bavarian N-plant construction to halt

By David Marsh in Bonn

CONSTRUCTION work on Weat Germany's planned nuclear processing complex at Wackersdorf in eastern Bavaria will stop today as a prelude to an official decision to abandon the project.

The decision was announced hy DWK, tha Wackersdorf operating company owned by electricity utilities. It was welcomed yesterday by Mr Rudolf von Bennigsen-Foerder, chairman of energy gronp Veba, which has negotiated an alternative agreement to make use of spare reprocessing capacity at France'a plant at La Hague in Normandy.

The move to stop work at Wackersdorf comes after DM 2.6bn (£813m) has already been spent on the project. The Bavarian plant was to have come into operation from the mid-1990s but has been stymied hy rising costs and political opposition. Although DWK yesterday put the total planned cost of the plant at DM 7.7bn, Veba believes the true cost would be DM 10bn.

France has offered to reprocess spent nuclear fuel at La Hague from the end of the 1990s at a price of only DM 1,500 per kilogram (in current D-Marks), compared with the anticipated DM 4,000 price for reprocessing at Wackersdorf.

Veba aims to take a 49 per cent stake in the planned UP-3 section of La Hague, with 51 per cent owned by the French state nuclear fuels group Cogema.

The Bonn government is due to formalise plans in the next few weeks to reprocess spent German nuclear fuel abroad rather than in Wackersdorf. Mr von Bennigsen-Foerder confirmed that British Nnclear Fuels had also made an offer to reprocess German spent fuel at Britain's Sellafield plant. The price offered by the British was slightly below the suggested Cogema price, Mr von Bennigsen said.

West German electricity utilities have been sending spent nuclear fuel to La Hague since 1976.

Reprocessing separates spent uranium fuel into reusable uranium and plutonium. However, the economics of reprocessing have been undermined by the disappearance of utilities' need for plutonium, caused by the shelving of worldwide plans to huild plutonium-burning fast breeder reactors.

Italian accountants' patience taxed

By John Wyles in Rome

THE creative distaste with which most Italians compile their annual income tax forms has turned to bad tempered protest and long queues outside banks and post offices in the last few days because of a government decision not to lift the May 31 deadline for payment of 1988 taxes.

The experience for most small businessmen, the self-employed and professionals has been a bitter reminder of the state's capacity to make a mess of things.

Most of their ire is being heaped on Mr Emilio Colombo, the Minister of Finance, who long refused to admit that a problem was looming, belatedly acknowledged that a lifting of the deadline would probably be necessary and then failed to push such a decision through the cabinet last Friday.

As a result, the national accountants' association is launching a legal action against the minister alleging that he has not fulfilled the duties of his office, while Italians and their accountants have been burning the midnight oil trying to fill out forms of apparently unprecedented complexity.

The problems have arisen from the fact that the Government has introduced a number of important and complicated tax changes affecting tha self-employed, some of which were only passed into law at the end of April. The requisite tax forms were not available until much later than usnal and, when they did appear, the accompanying leaflet of official advice was not only confusing but, as experts pointed ont, in some respects plain wrong.

Most people had begun to expect, and pray for, an extension of the tax deadline and the Government's refusal to concede one has led to a desperate last-minnte rush to present payments and declarations at banks and post offices. Italy's leading financial daily, Il Sole-24 Ore, yesterday published a page of protest letters which were not signed "Disgusted of Novara" but came from just about every trade association.

THE NATO SUMMIT

Alliance stance on missiles falls short of Warsaw Pact proposals

By David White in Brussels and Judy Dempsey in Vienna

THE NATO *summit's* hard-won compromise on the short-range nuclear weapons dispute, finally honed and tightly circumscribed, falls well short of the sweeping negotiating proposals put forward by the Warsaw Pact last month.

The so-called modernisation of current Nato weapons, Moscow's main bugbear, remains on the agenda in the same terms as before, even though Nato spells out that *decisions on deploying* a successor to its Lance missiles will not be faced before 1992.

The Comprehensive Concept, a 12-page document that took two years and much sweat to prepare, does commit Nato to further reductions in nuclear warheads as a result of modernisation.

Nato officials said these cuts could involve close to 2,000 artillery shells and bombs, nearly half the total number of US tactical warheads left in Europe after intermediate-range missiles have been removed.

But the onus is put on Moscow to make reductions first in its approximately 1,500 short-range missile launchers based in Europe, following its already announced cut of 500 out of an estimated 10,000 warheads. These cuts would have to be made before any mutual negotiated short-range nuclear forces (SNF) reductions are in force.

Negotiations which Nato is willing to contemplate would be limited to US and Soviet land-based missiles. This would exclude nuclear-capable artillery, which the Soviet Union want included.

It also excludes air-launched weapons, a key pillar of Western nuclear capability. The Warsaw Pact wants nuclear-capable *aircraft on the* negotiating table. Under the mandate for the Vienna arms talks, any military aircraft are eligible for discussion.

But both France and Britain want their nuclear strike jets kept out of any arms control measures. UK officials said they were confident the 15 per cent cut in Nato fighter numbers proposed by President Bush would not threaten these capabilities.

French ground-based missiles, which include intermediate as well as short-range weapons, would also fall outside the scope of any talks.

By specifying that negotiations be undertaken by the US, in consultation with allies, Nato ruled out the wider participation sought by the Warsaw Pact.

The Nato document sets tight conditions on timing: no nuclear talks until conventional cuts are "under way" and no nuclear cuts before conventional reductions are "implemented".

The trick performed by President Bush to reconcile clashing Nato positions has been to bring forward expectations for a conventional arms pact. Mrs Thatcher said the aim of an agreement in six months to a year was "very optimistic".

But optimism over Vienna prospects has already been on the rise because of Warsaw Pact proposals quite close in some respects to Nato's.

Although the Nato has ruled out the total elimination of ground-based nuclear arms in Europe "in the present circumstances and as far as can be foreseen", the formulae announced yesterday left some important ambiguities.

Mrs Thatcher admitted that there was no precise definition of "under way", the phrase describing the stage of conventional disarmament that would allow nuclear talks to start.

Also unclear is how rigorously the "implementation" of conventional arms cuts – which would *trigger* any *actual* cuts in nuclear forces – is defined.

Finally, there is the question of how long a "third zero", or abolition of tactical nuclear weapons, is ruled out.

Seeking a balance: President Bush answers questions yesterday

Triumphant Bush seizes the high ground for US

By Peter Riddell, US Editor in Brussels

PRESIDENT Bush yesterday tried hard to avoid appearing triumphant, not always successfully. He had just rounded off the biggest international triumph of *his presidency*.

By contrast, Mrs Margaret Thatcher, the British Prime Minister, did not dissemble her pleasure at the communique's wording on short-range nuclear missiles and the implicit concession by West Germany.

Yet the US can feel very satisfied with the outcome. Having accepted several weeks ago that a decision on short-range missile modernisation would be postponed until 1992, the US has achieved all its main objectives, as well as gaining the initiative for once in East/West exchanges.

In particular, there remains a commitment to retaining both conventional and nuclear forces in Europe - and a mix of the latter. As the US wished, the communique sets out a clearly defined link between conventional force reductions and later talks and action on short-range missiles – the position which Mrs Thatcher has only accepted in the past week or so. Moreover, any eventual reduction in short-range weapons will be "partial" – ruling out the so-called third zero.

Moreover, thanks to the US policy shift of the past week a new impetus has been given to the Vienna conventional force talks. Even if President Bush's accelerated timetable may be optimistic, the prospect of implementation by 1992-3 has been the key to achieving the missile compromise.

It is easy both to under-estimate and to over-estimate what has happened. Such has been the succession of arms control initiatives in the past two years that the long period of stalemate in both conventional and nuclear negotiations *tends to* be *forgotten*. If the US proposals form the basis of an eventual agreement, the familiar post-war defence picture in western Europe will have been transformed.

There is also the danger of *jumping* too far ahead, of regarding Mr Bush's proposals on conventional arms as the prelude to a US disengagement from Europe. But as President Bush stressed yesterday: "America is and will remain a *European power." He made* a point of noting that the Joint Chiefs of Staff, as well as General John Galvin, the Nato commander in chief, had provided assurances that the package was sound militarily.

Indeed, the *suggested 30,000* troops cut in US forces in Europe is not an arbitrary figure. A senior administration official conceded that, if there was a larger reduction than that, the forward line in central Europe could not be manned sufficiently to carry out the fundamental Nato *strategy of forward defence*.

Mr Bush said the aim was that "a reduced military presence when combined with a less threatening Soviet presence in Europe can create a stronger basis for engagement in Europe over the long haul – opening up opportunities for greater US/European co-operation".

So, while in US eyes, the summit communique marks an important evolution in US/European and East/West relations, it is not intended to mark the beginning of the end of the alliance.

Gorbachev reveals 'real' defence bill

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev yesterday announced for the first time a figure for the "real" level of Soviet defence spending - putting it at Roubles 77.3bn, or $115bn at the official rate.

The figure is still much lower than Western estimates of total spending – put at some Roubles 120bn, including a substantial allowance for *military-related* research and development.

The Soviet leader also gave no clue as to how it had been calculated, given the entirely arbitrary fixed prices used within the centrally-planned Soviet economy.

However, it is almost four times the level of the last previously *stated defence budget* of Roubles 20.3bn, although that was admitted to cover *only personnel costs, material* and technical supplies.

Mr Gorbachev said the Roubles 77.3bn total would be cut by 14 per cent over the next two years, or by some Roubles 10bn, as a result of the unilateral defence cuts he announced last December.

He also said that a programme *had been worked out* for cuts in the space budget, although not on the same scale.

"We must have in mind that thanks to the most sophisticated space equipment, we develop new technologies," he said. That was the only justification for spending so much on the space programme.

His announcement to the new Congress of People's Deputies in Moscow was met with loud applause, as the next step in revealing the full details of the defence budget.

It would mean that about 15 per cent of the Soviet state budget went on defence, on the basis of the 1989 budget approved last year by the Supreme Soviet.

However, Western analysts say they do not believe the new figure yet reflects the full extent of research and development spending.

Mr Gorbachev has promised that a full analysis of defence spending, or White Paper, will be published in the course of the year, but that the problems of calculating it in a comparable way to Western budgets were causing delays.

'Unique opportunity' to enhance European stability

FOLLOWING are extracts from the official declaration of the 16 Nato allies at the end of the two-day summit:

IN THE Soviet Union, important changes are under way. We welcome the current reforms that have already led to *greater openness, improved* respect for human rights, active participation of the individual and new attitudes in foreign policy. But much remains to be done. We still look forward to the full implementation of the announced changes in priorities in the allocation of economic resources *from the military to* the civilian sector. If sustained, the reforms will strengthen prospects for fundamental improvements in East-West relations.

We also welcome the marked progress in some countries of Eastern Europe towards establishing more democratic institutions, freer elections and greater political pluralism and economic choice . . .

We want *to overcome* the painful division of Europe, which we have never accepted. We want to move beyond the post-war period. Based on today's momentum of increased co-operation and tomorrow's common challenges, we seek to shape a new political order of peace in Europe . . .

The Alliance's long-term objectives are: to ensure that wars and intimidation of any kind in Europe and North America are prevented . . . to establish a new pattern of relations between the countries of East and West, in which ideological and military antagonism will be replaced with cooperation, trust and peaceful competition . . .

For the foreseeable future, there is no *alternative* to the Alliance strategy for the prevention of war. This is a strategy of deterrence based on an appropriate mix of adequate and effective nuclear and conventional forces which will continue to be kept up-to-date where necessary. We shall ensure the viability and credibility of these forces, while maintaining them at the lowest level consistent with our *security requirements*.

The presence of North American conventional and nuclear forces in Europe remains vital to the security of Europe just as Europe's security is vital to that of North America . . .

We challenge the members of the Warsaw Treaty Organisation to join us in accelerating *efforts to sign* and implement an agreement which will enhance security and stability in Europe by *reducing conventional* armed forces. To seize the unique opportunity at hand, we intend to present a proposal that will amplify and expand on the position we tabled at the opening of the CFE (Conventional Forces in Europe) negotiations on March 9. We will:

- register agreement, based on the ceilings already proposed in Vienna, on tanks, armoured troop carriers and artillery pieces held by members of the two alliances in Europe, with all of the withdrawn equipment to be destroyed. Ceilings on tanks and armoured troop carriers will be based on proposals already tabled in Vienna; definitional questions on artillery pieces remain to be resolved;
- expand our current proposal to include reductions by each side to equal ceilings at the level 15 per cent below current Alliance holdings of helicopters and of all land-based combat aircraft in the Atlantic-to-the-Urals zone, with all the withdrawn equipment to be destroyed;
- propose a *20* per cent cut in combat manpower in US stationed forces, and a resulting ceiling on US and Soviet ground and air force personnel stationed outside national territory in the Atlantic-to-the-Urals zone at approximately 275,000. This ceiling would require the Soviet Union to reduce its forces in Eastern Europe by some 325,000. US and Soviet forces withdrawn would be demobilised;
- seek such an agreement within six months to a year and accomplish the reductions by 1992 or 1993. Accordingly, we have directed the Alliance's High Level Task Force on conventional arms control to complete the further elaboration of this proposal, including its verification elements, so that it may be tabled at the beginning of the third round of the CFE negotiations, which opens on September 7, 1989.

We consider as an important initiative President Bush's call for an "open skies" regime intended to improve confidence among states through reconnaissance flights, and to contribute to the transparency of military activity, to arms control and to public awareness . . .

We will continue to use arms control as a means to enhance security and *stability* at the lowest possible level of armed forces, and to strengthen confidence by further appropriate measures.

Moscow urged to make unilateral missile cuts

AN EXTRACT from Nato's "Comprehensive Concept of Arms Control and Disarmament" adopted yesterday:

IN VIEW of the huge superiority of the Warsaw Pact in terms of short-range nuclear *missiles*, the Alliance calls upon the Soviet Union to reduce unilaterally its short-range missile systems to the current levels within the integrated military structure . . .

In this spirit, the Allies will make every effort . . . to bring . . . conventional negoti*ations to an early and satisfac*tory conclusion. The US has expressed the hope that this could be achieved within six to twelve months.

Once implementation of such an agreement is under way, the US, in consultation with the Allies concerned, is prepared to enter into negotiations to achieve a *partial* reduction of American and Soviet land-based nuclear missile forces of shorter range to equal and verifiable levels.

With special reference to the Western proposals on CFE tabled in Vienna, enhanced by *the proposals* by the US at the May 1989 summit, the Allies concerned proceed on the understanding that negotiated reductions leading to a level below the existing level of their SNF missiles will not be carried out until the results of these negotiations have been implemented. Reductions of Warsaw Pact SNF *systems* should be carried out before that date.

As regards the sub-strategic nuclear forces of the members of the integrated military structure, their level and characteristics *must* be *such* that they can perform their deterrent role in a credible way across the required spectrum

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EUROPEAN NEWS

Higher stakes sharpen campaign in UK

Britain's future in Community is back on domestic agenda, writes Philip Stephens

ELECTIONS to the European Parliament are meant in Britain to be low-key. Since the first direct elections in 1979, Europe's parliamentarians have heen treated by the British electorate with studied indifference – and frequently contempt.

The stories favoured by the media are those chronicling the expense-account excesses of MEPs or alleged conspiracies cooked up with the Brussels Commission to impose "foreign" rules on British life.

Only a third of eligible voters bothered to vote in 1979 and 1984, against an average of 60 per cent for Britain's European partners. So members of the Strasbourg Parliament and MPs and peers at Westminster have been caught unawares hy the unaccustomed vigour of the political debate ahead of next month's poll.

There has not been a behavioural revolution. Canvassers trudging around the Euro constituencies (78 in England, Wales and Scotland and three in Northern Ireland) have not yet found that an explosion in foreign holidays has turned the British into enthusiastic Europhiles. Many believe voter turnout this year may rise but even the optimists are not predicting more than 40 per cent.

There is, however, a perception among party leaders that in hoth the domestic and in wider European perspective, the stakes will be much higher on June 15 than in the two previous elections.

The approach of 1992 and the implications of the single European Act – providing for majority voting in the Council of Ministers across a range of issues – have put Britain's future in the EC back on the domestic political agenda.

The poll will also provide the first nationwide test of whether the Labour opposition's two-year policy review can hring to an end its decade in the wilderness and establish it as a credible alternative to Mrs Margaret Thatcher.

Mr Neil Kinnock, the Labour leader, hopes that a strong performance next month will demonstrate popular approval for a marked shift from the left to the centre in his party's domestic and international policies.

The most striking feature of the campaign so far, however, has been the split in Conservative ranks over how to react to the pressures for closer European integration. The twin poles have been mapped out by Mrs Thatcher and hy Mr Edward Heath, the former Prime Minister who took Britain into the EC in 1973.

Mrs Thatcher's vision is of a European free trade area with a minimum of regulation and

EUROPEAN ELECTIONS

bureaucratic interference and with little if any loss of sovereignty for Westminister. Mr Heath, as he made clear earlier this week, is an enthusiastic federalist who believes that the eventual goal of a United States of Europe is as inevitable as it is essential.

Those positions represent the extremes. There are many in Mrs Thatcher's cabinet who share her suspicions of Brussels hut, none the less, would prefer her to adopt a more positive tone. They are against the push for a closely-defined social dimension to the single market hut in favour, for example, of early British membership of the European Monetary System's exchange rate mechanism.

Equally, the pro-European faction within the party tends to coalesce more around the views of Mr Michael Heseltine, the former Defence Minister rather than those of Mr Heath.

Mr Heseltine, a contender for the future leadership of the Conservatives, is not a federalist, but he does argue for much greater readiness to share sovereignty with the rest of Europe. His fear is that if Britain remains obdurate, it will be left behind in a "two-speed" Europe.

The divisions have left many of the 45 Conservative MEPs bemused and, often annoyed. The most prominent, Lord Plumb, is also President of the Parliament and has heen sharply, if obliquely, critical of Mrs Thatcher's strident defence of British sovereignty.

Mr Kinnock is confident that Conservative confusion will bolster his party's prospects. Labour presently holds 32 constituencies, but is hoping to win at least five and possibly seven or eight from the Conservatives. Among those targeted are Cleveland and North Yorkshire, Humberside, Leicester, Scotland South and at least one of the London constituencies.

Opinion polls suggest it has a good chance, putting its share of the vote at around 40 per cent – level with the Conservatives and 4.5 points higher than in 1984.

The collapse of the centre parties has provided a welcome fillip. Mr Paddy Ashdown's Democrats remain a national force, but the first-past-the-post voting system looks likely to ensure that at very best the Democrats might win one seat. Dr David Owen's SDP has retreated from the national stage, and will contest only about a fifth of the seats.

Among the other smaller parties, only the Scottish Nationalists and the Unionists and SDLP in Northern Ireland, who already hold four seats between them, look likely to be represented.

Mr Kinnock's policy review has huried Labour's long-held opposition to the Community – along with its commitment to unilateral nuclear disarmament and wholesale nationalisation of major industries. That does not mean that the party now embraces unequivocally a move towards closer integration with the rest of Europe: its rather tortuous position over the EMS indicates otherwise.

But with rising interest rates emphasising the precarious economic outlook, Mr Kinnock sees an opportunity to highlight contrasts between Britain's position and that of its richer neighbours.

Profile: The Netherlands

Consensus on Europe means domestic issues prevail

By Laura Raun in Amsterdam

WHEN Dutchmen cast their ballots in the European elections on June 15 the vote will be seen as much as a primary for national elections in September as a referendum on European issues.

National issues have mostly dominated European ones since direct European elections began in 1979. So much consensus on Europe exists among Dutch political parties that domestic issues must provide the dividing lines.

The trend is even more pronounced this year because of the general election on September 6.

"National and European issues are linked," declares Mr Piet Dankert, candidate for the Labour Party. "The electorate wouldn't understand if they were separate."

But Mr Gijs de Vries, candidate for the Liberal Party, argues that European issues demand European parties. "The campaign is waged along obsolete lines," he complains.

Nevertheless Dutch candidates desperately hope the "Euro-phoria" of the past few years will translate into a demand for greater democracy. In Strasbourg greater democracy means only one thing – more power for the European Parliament.

"The real fight is between the forces for and against genuine European parliamentary democracy," contends Mr de Vries.

The Netherlands has 25 seats in the European Parliament: Socialists 9, Christian Democrats 8 Liberals and Democrats 5, Rainbow (small left-of-centre parties) 2 and Non-aligned 1. To win a seat at least 4 per cent of the vote is needed.

Political parties will pore over the results on June 18 for guidance in the general election campaign, called after the collapse of Mr Ruud Lubbers' Christian Democrat-Liberal coalition on May 2.

If elections were held now the Christian Democrats, perennial swing party in every postwar government, would remain the same, according to a public opinion poll published earlier this week.

Labour, largest of the opposition parties, would gain three seats and become the biggest party in the Dutch Parliament. The Liberals, junior partners in the caretaker government, would lose nearly a third of their 27 seats.

A similar picture is expected to emerge in the European elections. The national election should help draw voters and that could help Labour, according to Mr Dankert.

General expectations are that turnout could climb to around 56 per cent from 50.5 per cent in 1984 although that would still be lower than the 62.5 per cent in 1979. The promise of a barrier-free Europe has brought the election closer to the people and generated more interest than in 1984. Tangible issues such as environmental pollution, social security, border controls and broadcasting are easier to grasp than intangible ones such as agricultural reform and community finances which dominated the last election.

A striking degree of consensus prevails among major Dutch parties on European issues. They generally favour more power for the European Parliament, European economic and monetary union, a central bank, common foreign policy and an international approach to the environmental. Only the small parties to the left and right of centre oppose full European integration as outlined in the Single European Act.

Many MEPs believe the European Parliament should move to Brussels to ensure better media coverage and foster greater public awareness.

Local polls point to big change in Italy

By John Wyles in Rome

JUST OVER a million Italian voters in communal elections have offered an intriguing trailer to this month's European poll by handsomely rewarding the Christian Democrats and the Socialists for their recent slaughter of the country's 48th post-war government, while at the same time accelerating the Communist party's decline.

If these results are repeated on June 18, regarded in Italy as a near-general election because of the political crisis, they would mark an historic overtaking of the Communists (PCI) by the Socialists and should smooth the path to reforming the five-party coalition led by the Christian Democrats (DC), while doing nothing to dampen their rivalry with the Socialists.

Mr Giovanni Spadolini, the Senate president, begins the "exploratory" task today of sounding out all parties on the next government's composition, leadership and programme.

The results of the voting on Sunday and Monday in 165 Communes, mainly in southern Italy and Sicily, need to be interpreted with a certain degree of caution both because of the influences of local circumstances.

Nevertheless, the robustness of the Christian Democrat vote and the fact that the Socialists captured a higher share of the poll than the PCI for the first time in these Communes will give added momentum in the European campaign.

The DC took 39.6 per cent of the vote compared to 36.9 in the same Communes five years ago and 38.6 per cent in the 1987 general election. The Socialists surged from 17 per cent to 19.1, having taken 14 per cent in these districts in 1987. The Communists, by contrast, slid from 22.1 per cent to 16.9, having taken 22.6 per cent in the general election.

Even allowing for the fact that PCI votes in Reggio Calabria were pooled in an alliance with the Radicals and Proletarian Democrats, the PCI would still seem to have ceded its traditional second electoral place to the Socialists.

OVERSEAS NEWS

Takeshita (centre) meets former premiers Fukuda (left) and Suzuki to discuss the succession

Japan's strongmen subdue stirrings of political reform

Stefan Wagstyl on indications that the LDP will emerge from scandal with its power intact

JAPAN'S ruling Liberal Democratic Party is withdrawing into its shell.

The shock of the Recruit affair has prompted party leaders to talk loudly of the need for political reform. But they are quietly taking steps to make sure the impact of reform is kept to a minimum.

Leading the conservative reaction is Mr Noboru Takeshita, the Prime Minister, who a month ago announced his intention to resign to take responsibility for the affair. Far from losing ground, Mr Takeshita has enhanced his position in the leadership by getting into a position to nominate Mr Sousuke Uno, the Foreign Minister, as his successor.

Even though opinion polls show public support is still falling, the party is battening down the hatches in the hope that public protest engendered by Recruit will blow itself out. LDP leaders will not have to wait long to see if they are right – elections to the upper house of the Diet (parliament) are due to be held at the end of July and elections to the lower house next year.

Party leaders breathed a sigh of relief at the conclusion this week of the public prosecutor's investigation into the scandal. The end of the inquiry should put an end to the allegations of bribe-taking which have rocked the party since the affair erupted last summer.

There is no suggestion that LDP leaders put pressure on Mr Yusuke Yoshinaga, the chief prosecutor, to cut short his investigation. He interviewed hundreds of people over 260 days. The investigation led to the indictment of 12 people on charges of bribery and a further four on allegations of breaking political fund-raising laws. But a lack of evidence limited Mr Yoshinaga to questioning just two politicians who later were indicted. He was also hampered by a need to finish the investigation before the start of the campaign for July's election and by a law which exempts Diet members from being held for questioning while the Diet is in session.

Opposition politicians and commentators protested that the prosecutor had not even approached Mr Yasuhiro Nakasone, the former Prime Minister, during whose administration much of the alleged corruption took place.

The end of the investigation could not have come at a more convenient time for the LDP. Earlier this week, Mr Nakasone announced he was resigning from the party to take political responsibility for the scandal. By the end of this week the party hopes to confirm that Mr Uno will be the new Prime Minister. Everything has come together to aid the LDP's attempts to draw a line under the affair.

Things looked very different a month ago. When Mr Takeshita announced his proposed resignation it seemed possible that the LDP might even break apart. There was talk of drastic change – including swift electoral reform and the abolition of the ruling party's factions, moves which would have changed the face of politics.

But for those at the top of the party, who have spent their political lives building their power by building factions, an end to the factions was anathema. The party slowly reverted to its tradition of choosing a leader by balancing the power of different factions. This gave Mr Takeshita, as leader of the largest faction, the biggest voice. He picked Mr Uno who belongs to Mr Nakasone's faction but is close to Mr Takeshita. The choice gives Mr Takeshita every chance of becoming the power behind the throne.

The Nikkei Shimhun, Japan's leading business daily, said drily in an editorial yesterday: "The selection of the new Prime Minister shows how eager politicians really are for drastic change."

The key to the LDP's future lies in the elections. At first sight opinion polls suggest that disaster is in store. According to a television poll last night, the LDP's rating has dropped to 21 per cent, the lowest ever.

But the LDP can only be overthrown by a surge in support for the opposition parties, including the Japan Socialist Party, the largest. The realistic alternative to the LDP is a messy coalition. But, according to last night's poll, 75 per cent of voters think the opposition has done a poor job over Recruit. After over 30 years of LDP rule, the opposition parties are unable to project themselves as a coherent alternative. So the LDP, unreformed and unbowed, might yet emerge out with its control of government intact.

Japanese discount rate rises to 3.25%

By Ian Rodger in Tokyo

JAPANESE Government officials yesterday made clear that they would avoid any further increase in the Official Discount Rate for as long as possible and almost apologised for the widely expected decision to raise the Bank of Japan's official rate today by 0.75 of a percentage point to 3.25 per cent.

Mr Tatsuo Murayama, the finance minister, said that he was confident the rise, which was higher than expected, would not set off a round of competitive rate increasea among industrialised countries, but he feared that a further rate hike would have "serious consequences."

The announcement was sparked to some extent by the Government's concern over the recent weakening of the yen. However, it had no noticeable effect, as the yen continued to drop against the dollar on foreign exchange markets. The dollar closed in Tokyo at Y143.10, up Y0.25. Other markets reacted calmly because the announcement had been expected.

It was the first change in the ODR since February, 1987, when the last of a year-long succession of reductions was made to stimulate the Japanese economy following the Plaza agreement in September, 1985, to revalue the yen. The Japanese authorities have maintained an easy money policy since then to contribute to world economic expansion and reduce the country's huge trade surpluses.

Both Mr Murayama and Mr Satoshi Sumita, governor of the Bank of Japan, said the increase was not intended to undermine the easy money stance. "The Government of Japan will continue to abide by its basic policy of non-inflationary, sustained economic growth led by domestic demand, with a view to the improvement of national welfare and international co-ordination," Mr Murayama said.

They said it was partly a preventive move in the face of signs of inflation being imported, notably because of the recent weakening of the yen and higher oil prices.

Japanese queue for QE2 high life

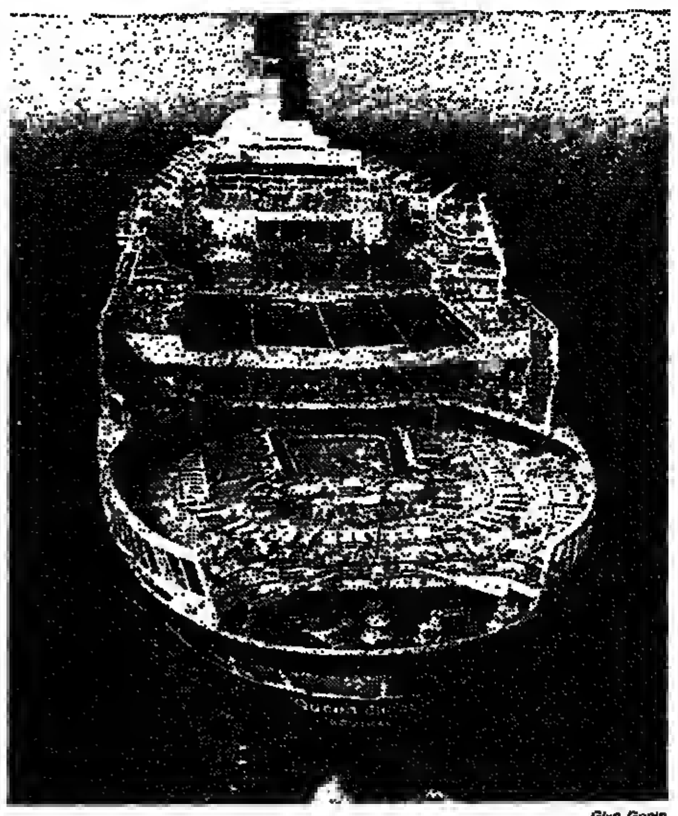
Michiyo Nakamoto explains the appeal of a ship that stays in port

IMAGINE paying more than $500 for one night in a hotel room with no bath and no windows. In Japan, people are queueing up for the privilege, because the hotel is called the Queen Elizabeth 2.

It has been widely noticed that the Japanese, who have always been immensely curious about, not to say highly envious of, the luxurious lifestyle of Europe's wealthy, are now using their extraordinary financial resources to buy a taste of the high life.

Already they have bought French vineyards, transported a Scottish castle across Siberia and brought the legendary Orient Express over for a leisurely grand tour of the country. Now it is the turn of the Queen Elizabeth 2, the Cunard luxury liner, to capture the imagination of Japan's newly rich.

The liner is now in its final week in the port of Yokohama after being chartered by a Japanese group for more than two months as a floating hotel. It is part of the celebrations of the 100th anniversary of the city of Yokohama and the 130th anniversary of the opening of the port. Its stay, from March 31 to June 3, is the QE2's longest, and no doubt most profitable, in one port.



Glyn Genin

Luxury berth in the Far East on a ship going nowhere

Those acquainted with the pleasures of luxury cruising may wonder why anyone would want to stay overnight on a ship which will not sail, even if it is the QE2. For the many Japanese, however, who have been thronging the ship, it is a not-to-be-missed, once-in-a-lifetime opportunity, even at prices ranging from Y70,000 ($511) for a single room to Y380,000 ($2,773) per person for a penthouse suite. No matter that the ship will not be going anywhere. There is the casino, the Las Vegas-type shows, the dancing and dining in authentic British high-society style.

"It is an extravagance," said an elderly man staying overnight with his wife in one of the more expensive suites. "But the experience will become a precious memory in our old age."

Elderly couples from all over the country, young office workers and groups of middle-aged women have flocked to the ship daily for a fleeting experience of a lifestyle that will remain no more than a dream to most of them. Even if they are rich, few Japanese can afford to take enough time off for a cruise and many have come to the QE2 delighted at the thought of experiencing in one day the Japanese holiday style of see, buy and run.

Although most stay for only one night, they are sure to bring suitcases stuffed with more costly outfits than they have time to wear, and plenty of cash to keep the shops and casino going full steam.

For the overnight package, checking in begins at 4pm and guests have to be out by 10am the next day. There has been some grumbling about this, and the lack of windows and showers in many of the rooms, but on the whole the response has been positive enough to keep the reservations streaming in. The Queen Elizabeth suite, the most popular of the penthouse suites, is already booked for most nights.

Many Japanese cannot even spend a night, and take a three-hour lunch tour with just about enough time to do a bit of shopping. "They forget about everything else and go straight on to Harrods," says Captain Alan Bennell.

The cost of special events is also steep, ranging from Y5m for dinner in the Princess Grill to Y39m for a party in the Queen's Grill, including one night's stay. This does not seem to have dampened interest. Full ship rentals at Y128m to Y161m a day have been booked by five companies.

"Japanese businesses are making a lot of money," one observer noted. "It is better to spend it and give employees and clients a good time than to give it up to the taxman."

Two more Japanese groups have chartered the ship and its stay in Yokohama may be starting a trend that could win the company further lucrative contracts. "I think the Japanese are waking up to the fact that cruising is good," says Captain Bennell.

Certainly Cunard has found that renting to the Japanese is good. The total worth of contracts over the next two years signed by the company with the Japanese is estimated at over $100m. "It is certainly more profitable than plying the Atlantic," one observer in Tokyo noted.

Tasmanian Greens see red over Liberals

TASMANIA, Australia's smallest state, faces a torrid month of post-election recrimination after an historic pact between Labor party MPs and a group of "Green" independents failed to win them the state government, writes Chris Sherwell in Sydney.

The Greens, headed by the conservationist Dr Bob Brown, won five seats in the state's election earlier this month, giving them the balance of power. It is thought to be the environmental movement's first such achievement anywhere outside West Germany.

On Monday, after several days of exhausting negotiations, the five and Labor's 13 MPs announced a notable understanding which would give them a bare majority in the 35-seat lower house.

But Mr Robin Gray, the Liberal party leader, refused to resign his office, despite winning only 17 seats. He advised the Governor to appoint him to head a minority government and the Governor accepted.

This has left Tasmania's future in the hands of the state parliament, which is due to resume sittings on June 28. The Greens say they will move a motion of no confidence. If passed, the Governor must consider a Labor-led alternative or a fresh election.

The state election represented a victory for the Greens, who previously had only two seats, and a setback for Mr Gray's Liberals. It was also seen as a pointer to electoral trends elsewhere in Australia.

OVERSEAS NEWS

Under old management: Chinese business resumes

Lynne Curry and **Robert Thomson** on investment

CHINA could not afford to rely on Western countries and should turn to the Soviet Union for trade and investment links, according to a speech reportedly made by Yao Yilin, a conservative member of the Communist Party recently.

Yao, a member of the politburo standing committee and a vice-premier, was reported by a pro-Peking Hong Kong newspaper as telling senior Chinese government officials that the Premier, Li Peng, wanted to concentrate on developing links with the Soviet Union, and had already appointed a special negotiating team.

While diplomats cautioned that the article could have been planted by one of Li's many opponents, the report compounds the uncertainty in the minds of foreign companies doing, or planning to do, business with China. The speech would also confirm Li's reputation as a man suspicious of the West and warm towards the Soviet Union.

Li Peng was educated as an engineer in the Soviet Union, speaks Russian, and is known to have a love of grand Soviet-style industrial projects.

The same Hong Kong report said China had agreed to buy four nuclear plants from the Soviet Union.

The large pro-democracy demonstrations, declaration of martial law and continuing political conflict have already caused a slowing of foreign investment, according to foreign business people resident in Peking.

Chinese bank credit is expanding sharply and is increasingly being diverted into capital construction, the State Statistics Bureau reported, writes Colina MacDougall. This is undermining the economic freeze launched last autumn to curb inflation, partly caused by extravagant building plans. The freeze cut state investment in the first four months of the year by yuan 1.1bn (£188m) to yuan 30.4 bn, but loans grew by yuan 6.4 bn to yuan 1061.5 bn. The Peking paper Economic Information called this an "alarming trend".

Japanese business delegations have been told by the Chinese authorities that their itineraries could not be organised, and, at the height of the disturbances e week ago, some foreign companies asked staff based in Peking to take holiday leave immediately – if possible outside China.

Arthur Andersen, the accounting firm, formally closed its office after martial law was declared but plans to re-open soon. IBM advised some employees already out of the country on training programmes not to return immediately, and arranged for staff to take holidays owing.

Most companies expect that doing business will be more difficult if the conservative leadership maintains control.

Bureaucrats throughout the country are more cautious about decision-making, though officials in progressive southern provinces are expected to try to ignore the power struggle in Peking.

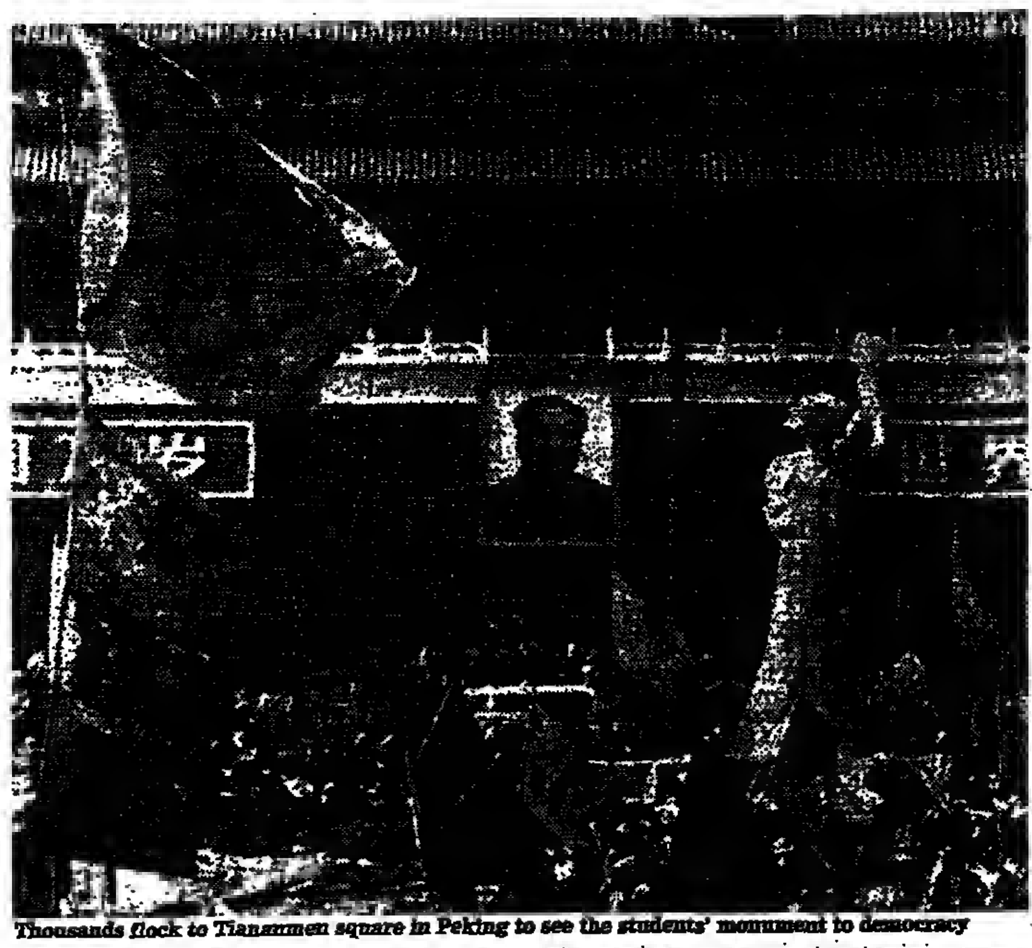
A Western banker said the companies most affected in the short-term were those in the midst of contract negotiations. Chinese officials are uncertain whether investment policies will change and are keen to delay decisions.

A consultant from New Zealand who has lived in the capital for five years has advised several smaller companies that it is not worth their trouble pursuing projects in China at the moment. But he is convinced the bigger foreign companies will stay on unless the social unrest turns violent.

A spokesman for a large Japanese trading house said many Japanese companies had come to China expecting political instability, and the present problems would not yet have affected their plans.

The troubled business climate follows a year of strong investment growth, with new contracted investment in the first two months of this year, valued at \$860m – up from \$300m in the same period last year.

The number of contracts last year virtually doubled while the foreign funds used during the year amounted to \$9.84bn, a rise of 16.4 per cent. (These figures were provided earlier this year by Li Peng.)



Thousands flock to Tiananmen square in Peking to see the students' monument to democracy

In his speech, vice-premier Yao is reported to have said conditions were unsuitable for large-scale investment and borrowing from the US, Japan, and Hong Kong, the three largest investors, because China was a poor country and needed to re-adjust its investment strategy to make it "suitable for Chinese conditions". Ha said the country should "mainly talk to the Soviet Union".

The influence of conservatives such as Yao and Li has already been felt in the economy in recent months through a slow-down designed to counter high inflation.

The policy to decentralise control has, in part, heen reversed, money supply has been tightened, and in some cases, Chinese partners in joint ventures have been unabla to make payment deadlines

Still, not all foreign business people believe there will be a slump in investment. These more optimistic observers argue that a distinction has to be made between politics and investment policy.

Several companies said the problems had given cause for contemplation abont China's long-term importance in corporate plans, and signs that e more conservative leadership was unsympathetic to foreign companies would prompt an even more wide-ranging re-assessment.

HK legislators renew pressure for early poll

By John Elliott in Hong Kong

HONG KONG'S legislators yesterday called for the chief executive, who will run the colony when it reverts to Chinese sovereignty in 1997, to be directly elected by universal suffrage not later than 2003.

This is between four and nina years earlier than had originally been generally envisaged. It reflects growing concern in Hong Kong, following recent events in China, that defences must be erected to stop the Chinese government going back on its pledge that Hong Kong will enjoy a "high degree of autonomy."

These concerns will be aired by nearly 30 speakers during a two day debate of Hong Kong's legislative council starting today on the latest Peking-prepared draft of the post-1997 Basic Law which is to be put into its final form by the end of this year.

Many legislators are specially worried that the present draft would allow Peking unilaterally to impose China's own laws on the territory if Hong Kong was in a state of "turmoil" - the word used by Li peng, China's hardline prime minister, to descibe the recent student demonstrations.

Dame Lydia Dunn, chairman of the colony's executive council, said last night that the student demonstrations and the Chinese government's response had "highlighted the crucial importance to Hong Kong of the one country two system concept", which envisages a separate economic and political system for the territory.

Last week the political leaders, who are members of the executive and legislative councils, abandoned past differences and called for the future legislative council to be 50 per cent directly elected in 1995, two years before the handover, and fully directly elected in 2003.

Yesterday they could not reach unanimity on what should happen before 2003 for the chief executive because only a minority of liberals want full direct elections in 1997.

The majority are prepared for Peking to have a significant say in the first 1997 chief executive through a complex indirect electoral system.

Unpleasant welcome for Vietnamese boat people

By Our Hong Kong Correspondent

SEVERAL hnndred Vietnamese boat people were last night being accommodated in driving rain on a remote Hong Kong island because the government can find nowhere else to put new arrivals.

This follows a dramatic increase in the boat people arriving in the colony, internationally regarded as a place of first asylum for the would-be refugees. More than 2,300 have arrived in the past three days, bringing the total for May to 9,000, twice the number forecast by the government.

"We simply have no covered accommodation left and it is important for the people in Vietnam to realise there is no room in Hong Kong," said Mr Michael Hanson, the government's refugee co-ordinator. The government believes the only way to stop the new arrivals is for people in Vietnam to realise there is no welcome for them in the colony.

He acknowleged that the key problem was that the colony's legislative council was not prepared to sanction any further expenditure on the boat people.

The new boat people would be taken to Hong Kong's Soko Islands and left on their own boats if these were seaworthy, or put ashore. They would only receive dry rations and water. "We hope they will sail on somewhere else, in which case we will mend their boats and give them food and water, in line with our established policy," Mr Hanson added.

West Bank murder shows growing threat from Jewish settlers

By Hugh Carnegy in Jerusalem

The death of a teenage Palestinian girl in an attack on a West Bank Arah village by Jewish settlers is the latest incident in a recent wave of violence involving settlers which is causing Israeli soldiers and politicians severe difficulties.

According to police and army radio accounts, the 16-year-old girl was killed and two others wounded when an armed group of theological students raided the village of Kifl Harith on Monday, firing all around them in revenge for the wounding of their rabbi in a stoning attack by Arabs.

Mr Yitzhak Rabin, Minister of Defence in the coalition government, yesterday condemned the attack as "an offence to Jewish values." Last night, 30 settlers were reported arrested in the search for the assailants.

The raid on the village, though more serious than most recent clashes, fitted a pattern of escalating confrontation between Palestinians and the 75,000 Jewish settlers in the occupied territories. In recent weeks there have been dozens of cases of settlers smashing Arab property and often opening fire in retaliation, usually for having their cars pelted with rocks and stones.

General Dan Shomron, the army chief of staff, has complained thet the resources he has to deploy to deter settler violence in the tronbled Hehron area could otherwise be used against the Palestinism rioters.

Worryingly for the army, there have been a few cases of physical confrontation with settlers, notably when a group attacked a general who had seized a pistol from one of their number.

Government ministers, including Prime Minister Yitzhak Shamir, have been quick to condemn settler attacks on the army and have called on the settlers not to take the law into their own hands.

Bnt the settlers say the anthorities are not doing enough to protect them from Palestinian attacks. They call for abandonment of the government's peace plan, which they regard as a road to the end of Israeli control over the territories, and a much tougher crackdown on the intifada.

It is here Mr Shamir faces an awkward dilemma. The settlers have made common cause in their stance with hardliners in his Likud bloc, led by Mr Ariel Sharon, the trade and industry minister, who are mounting a serious challenge to the peace plan and its proposal to hold elections in the territories.

Mr Shamir has always been a strong advocate of Likud support for Jewish settlement of the West Bank – or Judea and Samaria as they are known by their biblical names – as a historical right and as a buttress to Israel's security.

Bnt he is now caught between this and his need to hold the support of his Labour partners in government and, crucially, the US, if his peace plan is to have any chance of success.

Mosbacher seeks more openness in 1992 talks

By Nancy Dunne in Washington

The much-publicised request by Mr Robert Mosbacher, US Commerce Secretary, for "a seat at the table" of EC 1992 negotiations was "maybe overstated a little", but represented a bid for more transparency in the talks, born out of concern in the US business community over a "Fortress Europe".

Before leaving for talks with the Organisation for Economic Co-operation and Development in Paris this week, Mr Mosbacher said he wanted "an opportunity to get some knowledge about what kind of standards they were setting — what they were doing to allow US companies in".

Mr Mosbacher, who is emerging as a major voice in economic policymaking in the Bush Administration, said: "It was e good phrase because it got their attention. I didn't mean to presume to tell the EC what they should be doing.

"We ought to have the right at least to find out what's going on. We're the biggest country customer and just as if I were selling any product anywhere, I'd try to keep my biggest customer informed of what I was doing."

US officials have expressed resentment over the failure of the EC to allow US representatives to listen to the discussions, particularly on product standards, in order to have access to the positions of the various governments.

They point to the openness of discussions over last year's US trade legislation and argue that EC companies are allowed representation in organisations throughout the US which set standards.

Concern generally centres on three areas: product standards, local-content and rule of origin restrictions, and lack of national treatment.

Mr Mosbacher said the Administration has under consideration proposals to increase US representation in Brussels to keep a more watchful eye on the talks. Of the 700 American officials in the EC covering political and economic issues, only 25 professional staff are assigned to Brussels and none represent the Commerce Department.

The Secretary wants to get information to US businesses which cannot afford a European presence and may later face product standards they cannot meet.

Egypt wins US fighter parts orders

EGYPT has been awarded two contracts worth nearly $500,000 (£294,000) to manufacture components for US General Dynamics F-16 fighter aircraft under its recently approved status as a non-Neto US ally, Tony Walker reports from Cairo.

The Arah Organisation of Industrialisation (AOI) will be contractor for the manufacture of aircraft covers, fairings, support structures and hulkhead parts.

The 3,000 items will be included in 400 F-16 aircraft to be built between 1990 and 1992 for delivery to the US Air Force and foreign customers.

The AOI was established in 1975 as a partnership of four Arab states — Egypt, Saudi Arabia, Qatar and the United Arab Emirates — to manufacture military equipment.

Italo-Czech deal

Lomhardini, the Italian diesel-motor maker, said yesterday it had signed a L200bn (£87m) deal with ZTS, the Czechoslovak engineering concern, Alan Friedman reports from Milan. The pact calls for exchange of engine components, finished products, machine tools and production systems. ZTS will be licensed to produce diesel motors.

Tremor at the heart of US chip industry

Dispute with Japan threatens semiconductor-making equipment, writes **Louise Kehoe**

THE escalating high technology trade dispute between the US and Japan appears set to engulf one of the most critical sectors of the electronics industry — the manufacturers of the sophisticated prodnction equipment and ultra-pure *materials* used to make semiconductor chips.

These products represent the base npon which the entire electronics industry, now the largest manufacturing sector in the US economy, is hullt. They are also of great strategic importance because they determine the level of semicondnctor technology that can be achieved for use in weapons and defence systems.

Until recently, there has been relatively little trade friction in these parts of the electronics industry, despite intense competition between US and Jepanese companies. US industry executives have long complained privately, however, about alleged Jepanese unfair trade practices including dumping and illegal copying of US technology hy Japanese competitors. Some US companies also claim that Japan maintains barriers to sales of US-made equipment.

Over the past decade the US dominance of the semiconductor production equipment and materials industry has declined precipitously. Ten years ago, nine of the top 10 suppliers in the world were American. Today only five are. In Jepan, US equipment and material companies have seen their market share fall from more than 90 per cent in the 1970s to about 35 per cent last year.

The declining strength of the US semiconductor production equipment industry has been highlighted recently hy the announcement that Perkin Elmer, the leading US manufacturer of lithography equipment, wants to sell off its semicondnctor prodnction equipment operations because of low profits.

Although Perkin Elmer said this week that it would not sell its lithography husiness to e foreign company, there is concern in Washington that a US buyer may not be found and that it would force closure or its sale to a foreign business.

US trade officials recently signalled their willingness to act ou the industry's prohlems by including several types of semiconductor prodnction equipment on a list of Japanese products which may become subject to punitive 100 per cent import tariffs in connection with a separate trade dispute with Japan over telecommunications.

The proposed sanctions drew a flood of testimony from the US electronics industry at hearings in Washington this week. Sanctions, executives warned, could backfire hy harming US semiconductor manufacturers who would be forced to pay inflated prices for Japanese equipment.

Many feel the US electronics industry has gained little from efforts to improve market access in Japan

There is division within the US industry, however, ou what alternative course of action the Government should take.

Many feel the US electronics industry has so far gained little advantage from the US Government's efforts to improve market access in Japan for other products including semiconductors, supercomputers and telecommunications equipment and that trade friction may have become detrimental to husiness.

Moderates, including some of the largest US equipmeut producers that have big customers in Japan, want to avoid government involvement and say the industry should be allowed to work out its own solutions to trade problems.

Semiconductor Equipment and *Materials International*, an industry group with international membership, responded to the threat of sanctions this week hy forming an industry working group with US, Japanese and European representatives to address trade frictions.

The industry group said, in testimony submitted earlier in the week to the US Trade Representative, however, that it would welcome US government attention to market eccess problems facing its members and offered its support for hilateral government discussions.

This epperent change of heart was influenced by pressure from Japanese members of the industry group.

Sending a clearer signal to Washington, the US semiconductor industry's "senior statesman", Dr Robert Noyce, chairman of Sematech and the inventor of the semiconductor chip, proposed a tough uew approach to Japanese trade disputes.

The US, he suggested, should directly target the offending industry in a trade dispute by placing immediate tariffs on Japanese end products if there were alternate sources of those products.

Punitive tariffs should he greduated so that they increased each month until the dispute was resolved, Dr Noyce suggested. Exporters to the US should be required to certify that they were not dumping their products in the US at below fair prices, and that they had not infringed US copyrights or patents.

The products of countries found to heve engaged in unfair trade should be required to label their products with a warning such as "Buying this product endangers American johs and the US standard of living".

A portion of the dumping duties or other tariffs collected on Japanese prodncts should be distrihuted to American companies that had been damaged hy unfair trade practices, he suggested. Another portion should go to the developmeut of *High Definition Television*, while some should be retained hy the Government to cover the costs of policing the system.

Such actions would "send a strong signal to our trading partners that the US has had enough and will no longer tolerate hlatant trade inequities".

For US government officials, the indnstry split makes a complex trade dispute even more difficult. However, the prospect of the US electronics industry becoming increasingly dependent upon foreign suppliers of critical productiou equipment and materials is a strong incentive for action.

Spain to decide soon on satellite contracts

By Peter Bruce in Madrid

MADRID is likely to decide soon on how to award contracts for the country's first satellite system, Hispasat, scheduled to go into service in 1992 at a *total cost of Ptas 43bn* (£217m).

Two European consortia, led by Matra of France and West Germany's Messerschmitt-Bolkow-Blohm (MBB), and Hughes of the US are final contenders for the contract, which will build two satellites for orbit and one to be held in reserve.

The programme, to have started with a first launch in 1991, has been dogged by mostly political delays, and a final decision may be put off even further. Local industry has complained a 1992 deadline will not leave it much time to organise effective participation in construction of the satellites.

Spain will be hosting the Olympic Games and the World's Fair in 1992, which is also the 500th anniversary of Columbus' discovery of America. One channel on the new satellite will be able to beam programmes to Latin America, and the Spaniards want to do so during this banner year.

According to recent reports, which the Transport Ministry has not confirmed, the final contract race has come down to Hughes or the Matra consortium, which inclndes British Aerospace, Fokker and a number of smaller high-technology Spanish partners.

They have offered Spanish industry 30 per cent of the production work, with most going to the state-owned aerospace group, Casa. MBBs group, which includas Alcatel and Aérospatiale, is *offering* marginally more work to Spanish companies.

Hispasat will deploy three direct broadcasting TV channels for Spanish viewers, one for Latin America, five for telecommunications, and one for military use. It will be owned and operated by various state agancies, including the national TV network, the telephone mouopoly, and the industrial holding company.

Japan ball-bearing industry may face higher EC duties

By William Dawkins in Brussels

JAPAN'S ball bearing industry was yesterday threatened with higher anti-dumping duties ou Ecu 72.6m (48m)-worth of its exports to the European Community.

The European Commission announced it was investigating whether to increase the current levies of between 1.2 per cent and 21.7 per cent, imposed on large diameter Japanese bearings in June 1985.

Its move was triggered by a complaint from the Frankfurt-based Federation of European Bearing Manufacturers' Associations, representing the eight EC producers of 30mm diameter bearings. They come from West Germany, Portugal, Italy, France, Spain and Britain. This follows a similar inquiry launched last week into imports of conical roller bearings.

The companies claim Japan is undercutting EC bearing prices by 60 per cent, forcing them to *slash their own* profit margins. Total EC exports were Ecu 404.8m last year, when imports from all countries, including Japan, fell slightly to Ecu 267.9m.

The European producers argue that the dumping margin — the difference between Japanese domestic and export prices — has become so much wider over the past four years that the present levies no longer provide adequate protection.

Even higher US dumping duties — up to 73.5 per cent — have also encouraged Japanese bearing exporters to concentrate on the less heavily protected EC, the federation says.

Syria steps up search for ways to cut trade arrears

By Andrew Gowers in Damascus

SYRIA, HOPELESSLY in debt to most of its major trading partners, is stepping up a search for ways of cutting arrears with its political allies and the Soviet Union, in light of a severe foreign exchange shortage this year.

Officials in Damascus say Syria has told Moscow it will be hard pressed for foreign currency this year and unable to reduce a substantial imbalance on the sterling denominated "clearing account" through which bilateral civilian trade is financed.

Other options to contain the deht — incinding further Soviet investment in Syrian joint ventures and Syrian contracting in the Soviet Union — is heing discussed with Mr Alexander Zotov, Soviet Ambassador to Damascus.

The talks come against a background *of* attempts by Moscow to put its overall relationship with Syria on a new footing, with more formal political consultations and the prospect of eventual Soviet pressure on Damascus to join in Middle East peace moves.

Syria's debts to the Soviet Union are estimated hy Western diplomats at about $14bn, of which the vast bulk is military, arising from Moscow'e crash programme of weapons supplies to Damascus in the early 1980s.

Soviet civilian trade with Syria has traditionally comprised a substantial degree of barter, But in reducing Syria's sizeable "overdraft", the problem lies in finding potential Syrian exports.

Despite Moscow's close ties with Damascus, this is not dissimilar to the difficulties of a number of Western countries, which have virtually despaired of obtaining billions of dollars in trade arrears. *Options* being explored by the two governments include:

- Arrangements for Syrian state construction enterprises to bid for Soviet contracts. These have borne fruit this year in a £7m contract between Syria and Moscow for construction of three hotels in the Soviet Union;
- Additional Soviet investments in Syrian manufacturing and exporting joint ventures. Bnt there appears to he no great enthusiasm in *Moscow* for investing in Syria.

Argentina reaps a harvest of anger

By Gary Mead in Buenos Aires

BOMB attacks yesterday in Buenos Aires underlined the danger now facing Argentina of a destabilising social upheaval.

Fiva and half years of procrastination on necessary economic changes by President Raúl Alfonsín's Radical government have led not simply to a collapse of the administration but have brought the country to the verge of a breakdown in democratic order.

The present power vacuum, which has existed for many months as Radical legislation has been blocked by a Peronist-dominated Coogress, sharpened on May 14 when Mr Carlos Menem, the Peronist candidate, won a clear mandate in the presidential election. But, according to the constitution, he is not due to take office before December. The next six months – or even six days – could be crucial for Argentina's chances of surviving under civilian rule.

Mr Menem has not only refused to take power earlier than December. He and his advisors have also rejected outright an emergency economic programme formulated by the Radical government and announced last Sunday evening. Calling it a "war economy" plan, President Alfonsin said in a nationwide broadcast that ha would be "very hard" in his final months of office, fighting the "rabies of financial spsculation" which be described as being the root cause of the country's crisis.

The president has failed to act on the essential cause of Argentina's hyper-inflation, now racing into overdrive at more than 70 per cent a month. His government was told last August by its foreign creditors to cut state spending before he could expect any further loans. This warning was ignored and now his government gathers in taxation only enough to cover 40 per cent of its monthly costs.

On Sunday, Mr Alfonsín, gave a new and shocking definition of "reasonable" economic management: an annual average inflation rate of 400 per cent, as was the case in 1988. "Till five months ago the economy was doing reasonably well," he said.

After a brief one-month dalliance with a free-floating exchange rate, Argentina has gone back to a government-fixed rate, of 175 australs to $1. All other currency trading is now illegal. But all that means is that black market operators have immediately returned to business, offering 250 australs to $1. Capital flight, insecurity and panic took less than two days to re-gather strength.

An almost complete lack of confidence in any political party has given rise to a run on the US dollar, as people of all walks of life hava tried since January this year to ditch their australs.

Between June 1988 and January 1989 the austral held relatively firm, sliding from 10 to 18 to $1. Since January it has collapsed, finishing trading on May 19 at 220:$1. Exporters and importers have been thoroughly confused by a welter of "new" economic plans, tinkerings with exchange rate policy and duties, and three economy ministers since February.

Lack of confidence is fuelled by repeated inability to tackle the public sector deficit. These deficits were traditionally financed by obliging foreign creditors who, since April 1988, have refused to sanction further subsidy of a public sector which in 1987 lost a daily $8.5m and last year probably performed similarly.

A lame-duck administration, coupled with a government-in-waiting demonstrably reluctant to test itself, has brought about a swift and perhaps irreversible deterioration in Argentina's social, economic and political life. The result is now to be seen on the streets of Rosario.

Behind this looms the presence of a disgruntled army. It is perhaps unfair to describe senior officers as now walking round the city with a certain spring in their steps and smirks on their faces, but an air of "I told you so – what can you expect from civilians who preach democracy?" is hanging over barracks around the country.

On Monday General Francisco Gassino, who as army chief of staff faces considerable pressure from rebel officers under the ideological leadership of the virulently nationalist and anti-Radical Colonel Mohamed Ali Seineldin, made a remarkable speech which for many indicated an historical turning point.

Marking Army Day, Gen Gassino gavs a passionate promise that the army will make its "contribution in whatever way possible". He argued that the anti-subservice military action of the 1970s, when as many as 9,000 Argentines disappeared, was "just and necessary", and the response of a "society under siege", preventing the "violent take-over by a bloody and despotic power-structure was totally opposed to Argentine feelings and traditions". Most pointedly of all be attacked "the ingratitude of those who benefitted" from the army's activities against guerillas in the 1970s.

Brazil readies credit and speculation curb

By Ivo Dawnay in Rio de Janeiro

THE BRAZILIAN government is preparing a new consumer credit squeeze, measures against speculation in gold and dollars, and a tighter fiscal policy amid fears that inflation could top 15 per cent in June.

The package, expected to be formally announced this week, comes as economists at the Finance and Planning Ministries were revising upwards forecasts for the year-end public sector deficit in anticipation of a visit by International Monetary Fund assessors.

Many independent economists are now predicting that the need to service Brazil's burgeoning internal debt will force the deficit, originally targetted at zero, beyond 8 per cent of gross domestic product, against 4 per cent last year.

Under its $5.2bn foreign debt rescheduling agreement, concluded last September, Brazil agreed to hold its deficit down to 2 per cent of GDP in 1989. Failure to meet this target will require a waiver from the IMF before commercial banks canrelease the final $600m tranche of credits agreed under the plan.

Despairing business people in Brazil fear, however, that the country is now closely following Argentina down the path to economic catastrophe. As Mr Mailson da Nobrega, Finance Minister, attempts to lift the price freeze imposed last January, inflation is resuming a pattern that last year gave price rises of 934 per cent.

The only bright spot on a gloomy economic horizon remains the trade surplus, which is estimated at about $5.6bn in the first quarter, giving a projection for the year of between $16bn and $18bn. Farm output is expected to reach new highs, with the grains harvest now coming in expected to exceed a record 70m tonnes.

But many economists believe that efforts to squeeze credit will have little impact in cooling sales while consumers have little confidence in holding sums in the Brazilian currency, the new cruzado, in savings accounts. "Nobody wants to make loans, and purchases are being made in cash," Professor Celso Pastore, a former Central Bank president and now a commercial hank consultant, observed recently.

As savers have abandoned the local currency, rates of the dollar in the unofficial market have shot up to as much as NCz 3.20 – nearly three times the official exchange rate. This week the commercial banks have pushed up interests paid on 60-day paper (CDBs) to the equivalent of over 700 per cent a year. But one banker said that there was virtually no demand for anything but very short-term loans and leasing business. "We are surviving by making our money on the float in people'a accounts," he said.

Behind much of the growing alarm lies the revelation this month that generous provisions in the new constitution have created a huge shortfall in the social security fund which provides pensions and other benefits. Economists calculate that if a Congressional decision this month to raise the official legal minimum salary by 47.5 per cent to NCz120 a month is not reversed, the fund could be more than NCz18bn ($15.8bn at official rates) in the red by the year-end.

US appeal stirs fears of financial intrusion

By Anatole Kaletsky in New York

A US court decision to attach $12.5m of assets belonging to the New York branch of Standard Chartered Bank will be subject to a legal appeal this morning in a precedent-setting case which has stirred new concern around the world about intrusion by US courts into financial systems abroad.

The implications of the case for international banking are considered so serious that the Federal Reserve Bank of New York will be backing the legal arguments made by Standard Chartered against what it sees as excessive zeal of the US courts and the Securities Exchange Commission.

The SEC has been seeking to attach the Standard Chartered assets in connection with last year's insider trading prosecution against Mr Stephen Wang, a former analyst at Morgan Stanley. Mr Wang was sentenced to three years in jail after pleading guilty to passing on inside information to Mr Fred Lee, a Taiwan- based investor.

But Mr Lee, who was said by the SEC to have made profits of about $19m from the illegal scheme, rejected the SEC's jurisdiction and failed to mount a defence in the US courts against the agency's demands for compensation and civil penalties. Because its lawsuit was civil, rather than criminal, the SEC could not demand Mr Lee's extradition from Taiwan.

So the SEC obtained a judgement against Mr Lee and, because he did not have sufficient funds in the US to meet it, argued for the attachment of his worldwide assets.

However, instead of asking the Hong Kong courts to freeze these assets, the SEC sought an order from the US courts against Standard Chartered. Last August, the Federal District Court of New York surprised the international banking community by accepting the SEC's request for a freeze against the New York branch of Standard Chartered, despite the fact that the bank was in no way involved in the insider trading case. It was this unprecedsnted action which provoked concern in the international banking community and the Fed.

The Fed, in its brief submitted for this morning's hearing by the US Court of Appeals, argues that the District Court'a decision had "tended to erode the clarity required in the world's financial markets", created uncertainty about the legal status of all offshore bank accounts, led to "potential tensions" with foreign governments and might well have motivated potential investors to avoid dealing with multinational banks that had branches in the US.

Officials and lawyers involved in the case said they knew of no previous case in which the US courts had tried to exert such sweeping powers over bank deposits abroad. They predicted the appeal might take several months.

Fall of men who tamed the Reagan revolution

It is tempting to view the demise of Wright and Coelho as a turning point, writes Lionel Barber

A FELLOW Democrat once said of Congressman Tony Coelho that he had one foot in the fast-lane and the other on a banana skin.

A master fund-raiser and parliamentary tactician, Mr Coelho, along with Mr Jim Wright, Speaker of the House of Representatives, carried the Democratic Party's fight against President Ronald Reagan between 1986 and 1988 in the 100th Congress. Together, the two men used the Democratic majority in the House ruthlessly, curtailing debate and imposing a rare discipline on their own members.

"We halted the Reagan revolution in its tracks," Mr Coelho would later boast.

This week, the partnership ended. Mr Coelho has already announced he is resigning from Congress, effective June 15, following revelations that he purchased, on favourable terms, high-yield junk bonds from Drexel Burnham Lambert, the investment bankers and major contributors to the Democratic Party in 1985-86.

Mr Wright is widely expected to resign today, ending a year-long battle against a House ethics investigation into his financial dealings (though yesterday the Speaker was still pressing for the committee to drop the most serious charges against him.)

The resignation of the Speaker and the House majority whip in mid-session of Congress would be unprecedented, and it would inevitably reshape the House Democratic leadership. Mr Tom Foley, the 60-year-old majority leader from Washington state, is expected to move up to become Speaker. Mr Richard Gephardt of Missouri, the 1988 Democratic presidential candidate with a protectionist trade bent, is strongly favoured to succeed Mr Foley as majority leader. Several other posts, including the majority whip's job, will be fiercely contested.

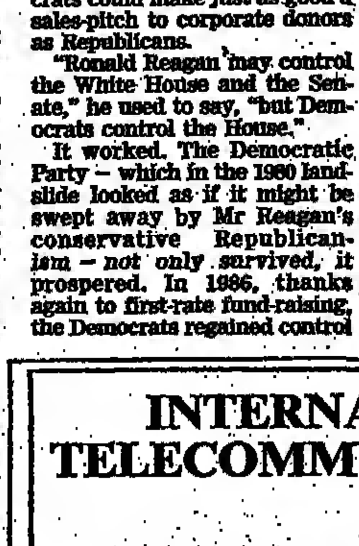
It has become fashionable to portray Mr Wright and Mr Coelho as victims of a Republican ethics crusade sweeping Washington. Mr Wright's original difficulties stem largely from a shady book deal. The Speaker's staff arranged for bulk sales of a cut-and-paste collection of his speeches to organisations such as the Teamsters Union in return for inordinately high 55-per-cent royalties.

In Mr Coelho's case, the sums of money involved were smaller, less than $6,800 profit on an original investment of $100,000.

What is striking about the Wright and Coelho cases is how a combination of partisan Republican attacks and sustained press investigation have combined to raise questions less about individual morality than about the way the legislature conducts its business. Such scrutiny has in the past been reserved for the executive branch, most notably with the Watergate scandal and, recently, the "sleaze factor" in the Reagan administration when a number of the former President's top aides resigned in ethical disgrace.

The current scandals concern the ways congressmen raise the huge sums of money needed for campaigning, US-style; both Mr Wright and Mr Coelho slipped up when it appeared they were cashing in on their connections, an understandable temptation for both men who came from modest backgrounds in their respective Texas and California and, who like their fellow lawmakers, have not had a pay increase since 1981.

Mr Coelho was the epitome of the modern politician, a man who owed his rise to power, like Lyndon Johnson, to his position as head of the Democratic congressional campaign committee, the main fund-raising hody for the party. He turned money-raising into a science, combining the latest computerised mail-shots with old-fashioned arm-twisting. His genius was to spot that Democrats could make just as good a sales-pitch to corporate donors as Republicans.



Wright poised at the exit

"Ronald Reagan may control the White House and the Senate," he used to say, "but Democrats control the House."

It worked. The Democratic Party – which in the 1980 landslide looked as if it might be swept away by Mr Reagan's conservative Republicanism – not only survived, it prospered. In 1986, thanks again to first-rate fund-raising, the Democrats regained control of the Senate and therefore Congress. Together the House and Senate fought President Reagan to a standstill, winning funds for highways, clean water, welfare reform and blocking his dearest foreign policy goal – military aid to the Contras.

Throughout this period, Mr Coelho described himself as a Robin Hood figure, robbing the rich corporate donors to pay for the reform programmes sponsored by the Democratic Congress and Mr Wright who dreamed aloud of emulating his fellow Texan Sam Rayburn as the most powerful and respected Speaker of the century.

It is tempting to view the change in the House Democratic leadership as a political turning point. The partisanship of Coelho-Wright is likely to be replaced by a more conciliatory style favoured by Mr Foley, heralding a new era of coalition government with power shared between the Republican White House and the Democratic majority in Congress.

"Foley will compliment George Mitchell (the new Senate Democratic Majority leader) superbly," says Dr Jim Thurber, a congressional expert at American University in Washington.

This analysis may, however, be a little too cosy. House Republicans, led by Mr Newt Gingrich, the improbable nemesis of Mr Wright, believe they have discovered a winning election message, which is that Democrats have become institutionally corrupt after commanding a majority in the House for 34 years.

Mr Gingrich wants to run the 1990 House elections with a campaign slogan of wresting power from incumbents and handing it back to the American people.

Mr Lee Atwater, once President George Bush's campaign manager and now chairman of the national Republican Party, is showing interest; so too is Mr Ed Rollins, the $250,000-a-year strategist hired by the National Republican Congressional committee.

If the ethics crusade continues, Mr Bush will have to decide whether to stand up to the conservative right or risk losing his much-vaunted bi-partisanship.

Canadian Liberal win

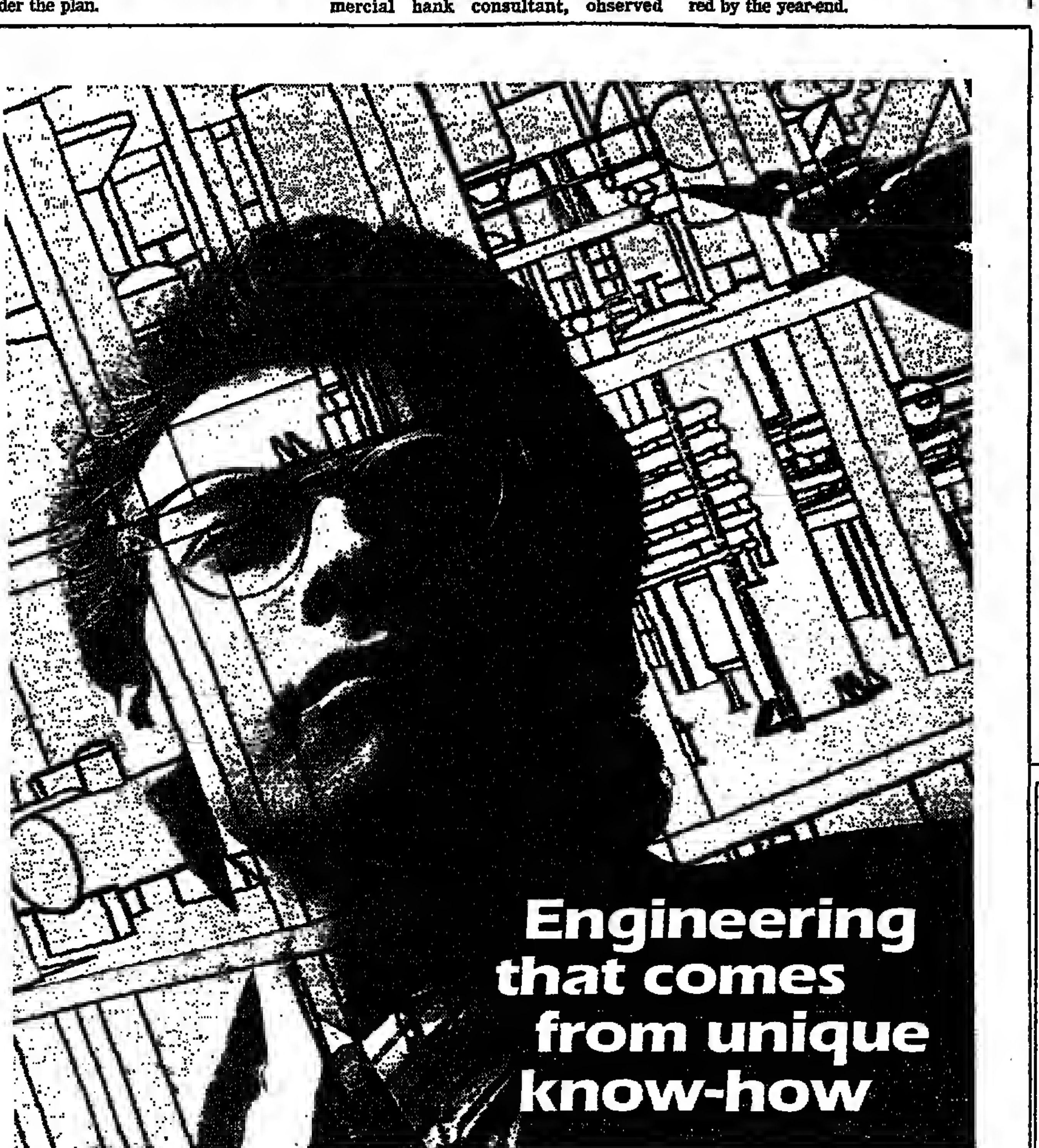
By David Owen in Toronto

MR JOE GHIZ and the ruling Liberals swept to a resounding victory in the Prince Edward Island election, capitalising on antipathy in Canada's smallest province towards the ruling Conservatives in Ottawa.

The party won 30 of the 32 seats at stake in the contest and 60 per cent of the vote.

The opposition Conservatives under Mr Melbourne Gass were reduced to two seats and 36 per cent of the vote.

In last November's federal election, the province returned four Liberal MPs. Since then, Ottawa has unveiled plans for the closure of the island's only armed forces base.



Former premier deepens Tory row over Europe

By Philip Stephens, Political Editor

THE Government's embarrassment over repeated attacks by Mr Edward Heath on Prime Minister Margaret Thatcher deepened yesterday as the former premier became embroiled in a public row with the Conservative Party chairman.

Mr Heath accused Conservative Central Office of attempting to "gag" him during the rest of the campaign for the European Parliament elections by persuading local parties to withdraw invitations for speaking engagements.

When Mr Peter Brooke, the party chairman, vehemently denied the allegation, Mr Heath said that he either did not know what was happening in his own office or he was "lying." Mr Brooke responded: "I am not s liar and never have been," adding that Mr Heath wss wrong and hed besn "over-hasty" in his judgments.

The allegstion, which followed Mr Heath's stinging attack at the beginning of the week on Mrs Thatcher's refusal to embrace European integration, brought calls from several Conservative MPs for him to be in effect expelled from the party at Westminster.

Mr Heath's apparent determination to ignore sppeals to moderate his stance also prompted several strong reactions from senior ministers and former colleagues.

Mr Douglas Hurd, the Home Secretary, said that the former Prime Minister's descriptions of Mrs Thatcher's approach as patronising and hypocritical went beyond what was either fair or correct. Lord Whitelaw, the former deputy party leader who served under Mr Heath in tha Conservative government of 1970-1974, said he was "deeply npset" about ths attack on Mr Brooke.

Mrs Thatcher, who was in Brussels for ths Nato summit, tried to brush off the row, while other senior Conservatives emphssissd that Mr Heath was now virtually isolated among the Government's supporters at Westminster.

There was private acknowledgement, howevsr, thst the well-publicised dispnte looks certain to confuse supporters and further damage the Conservatives in the European elections. Party leaders already appear resigned to losing about five seats to Labour and there are fears that that figure could rise further.

Mr Heath, however, appeared unrepentant, saying his office had clear evidence that a dirty tricks campaign was being waged against him by central office.

Heath takes lonely stand against Thatcher

Mrs Margaret Thatcher has had plenty of experience of attacks on her policies by Mr Edward Heath since she wrested ths leadership of the Conservative Party from him after the party's two election defeats in 1974.

So the official reaction to the Mr Heath's latest series of vituperative onslaughts on Mrs Thatcher's policies towards Europe has been one of unsurprise and calculated disregard. "We all know Ted," was Mrs Thatcher's comment yesterday.

After all, the message from the Prime Minister's office runs, Mr Heath's regular and frequently sharp criticism over the years of the Government's social, economic and regional policies have had no impact on voters, so there is little reason to worry about his views on Europe.

Mrs Thatcher has won three elections for the Conservatives – the same number that Mr Heath lost – is the implicit afterthought.

Conservative party managers would like to dismiss his attacks as "sour grapes." The best way to "neutralise" Mr Heath, one said yesterday, was to ignore him.

As the personal nature of his attacks on Mrs Thatcher has intensified, Mr Heath has looked increasingly isolated at Westminister.

The natural support among MPs of a former leader is anyway small. It is the prospective leaders, with the potential to offer jobs and promotion, who tend to attract significant and open followings. Mrs Thatcher's 15-year grip on the party has meant that even those are relatively modest.

Philip Stephens examines the Conservative isolation of the former prime minister following his attacks on Mrs Thatcher's policies in the European Community

The criticism Mr Heath faced yesterday from two former aides and friends – Mr Kenneth Baker, the Education Secretary, and Mr Douglas Hurd, ths Home Secretary, underlined his increasing separation from the Conservative mainstream.

Both ministers appeared to be speaking more in sadness than in anger and there was a suspicion they had been deliberately put up, if not pressurised, to rebut his attacks. Mr Heath claimed they were "terrified" of Mrs Thatcher.

It was also clear, however, that those Conservative MPs – and there are no more than perhaps a dozen – who are known to remain strong pnblic supporters of Mr Heath were keeping their counsel.

While his enemiss – demanding that Mr Heath be effectively excluded from ths party at Westminister – were queuing np to attack him, there was little sign of support.

That was due in part to Mr Heath's startling attack on Mr Peter Brooke, the Party Chairman, over the cancellation by a number of local Conservative associations of invitations for him to speak during the European elections campaign.

As one of Mr Heath's colleagues commented, it was easy to believe that Conservative central office was discouraging local parties from issuing invitations but it was quite another to imply that Mr Brooke, had been lying.

Lord Whitelaw, who supported Mr Heath against Mrs Thatcher in 1974, summed up the mood when he described himself as deeply "upset" over the accusation.

Mr Heath, however, cannot be ignored.

Ths television crews and reporters camped outside his house in central London yesterday attested to the fact that even after 15 years, an attack by s former prime minister on the present incumbent of 10 Downing Street is still regarded as news.

Heath: alone in the party

And Mr Heath has chosen his subject carefully. As the Prime Minister who took Britain into the European Community, he was in a powerful position to expose the split in Conservative ranks over Europe.

His passionate federalism is not shared by the bulk of the Conservative Party, but his conviction that Britain must grasp enthusiastically the opportunities presented by closer European integration strikes a chord among a broad swathe of MPs.

Mrs Thatcher's refusal to take up full membership of the European Monetary System, the stridency of her attacks on Brussels, and a growing concern that Britain might be left behind in a two-speed Europe have generated sympathy for many of Mr Heath's sentiments if not for his style and tactics.

Then there is timing. The approach of the elections to the Strasbourg parliament on June 15 has ensured unusual interest by the media in all things European, and Mr Heath has grabbed the opportunity.

Mr Heath may find himself a virtual outcast among his colleagues, but, unless the media decide unexpectedly to "drop him", he will continue to be heard.

Communist policies overhauled 'for 1990s'

By Philip Stephens, Political Editor

BRITAIN'S small but vocal Communist Party will today signal a radical overhaul of its traditional class-based approach to politics so as to meet the economic and political "realities" of the 1990s.

In a draft manifesto published with the latest issue of the monthly magazine Marxism Today, the Communist Party of Great Britain calls for the establishment of a broad alliance of left-wing groups to defeat the Government.

It also seeks to identify the party with the policy of perestroika being pursued by Mikhail Gorbachev, President of the Soviet Union, contrasting that with the "inefficiency" and "corruption" of East European socialist states.

The manifesto, described as the most important document produced by the 8,000-strong party since 1878, says its traditional emphasis on class divisions and on state intervention and planning should give way to a much broader view of left-wing politics.

It acknowledges that markets as well as planning have a role to play in the efficient creation of wealth, and argues against slavish adherence to either system.

Mr Gordon McLennan, the party's general secretary, said yesterday that the manifesto was an attempt to face up to the political realities of the 1980s and 1990s.

● The UK Green Party, meanwhile, claimed the electoral system in the UK will prevent it winning any seats in the elections to the European Parliament on June 15.

Ms Sara Parkin, co-secretary of the European Green Parties, predicted, however, that throughout the other EC countries, which have proportional representation instead of the UK's first-past-the-post system, the Greens would win a total of at least 30 seats. That would increase their representation from the present nine seats.

"Although the British party is on a par with our colleagues in other countries we just don't get the seats because of the unfairness of the system," said Ms Parkin.

Output to lead growth in 1990s

By Ralph Atkins, Economics Staff

BUOYANT manufacturing output will lead UK economic growth in the early 1990s, compensating for a relatively sluggish performance by service industries, according to a report published yesterday.

Financial businesses, particularly banking and finance, will see the sharpest slowdown within the service sector, said Oxford Economic Forecasting. The construction industry is expected to be badly hit in 1990 as high interest rates curtail investment plans and the housing market but then recover in line with the rest of the economy.

In manufacturing, motor vehicle and aerospace industries are expected to perform well in the next four years with exports providing the main driving force.

The forecasts are based on a sectoral model of the economy developed by OEF and sponsored by the Department of Trade and Industry and National Economic Development Office. The model includes 91 sectors.

OEF says lower consumer spending growth and the running down of stocks by companies will result in overall economic growth dropping from about 4 per cent last year to less than 3 per cent in 1989. A growth rate of 1.9 per cent is expected in 1990, rising to 3.5 per cent in 1991.

Manufacturing ontpnt is expected to be hit by the slowdown next year before recovering strongly. A fall in the pound will increase international competitiveness while a pick-up in consumer spending and investment will also boost output.

The report's outlook for the motor vehicle industry takes account of investment in plant and machinery by overseas companies such as Nissan, Peugeot and Toyota.

It says: "The depreciation of sterling is likely to help all three companies in their aim of selling much of this increased production overseas, and we see output growth of over 10 per cent in 1991 and 1992 and export growth of nearer 20 per cent."

The report says the last four years have seen exceptional growth in financial and business services with the average annual growth rate exceeding 9.5 per cent. However, it notes that the 1987 stock market crash have led to redundancies and reorganisation at many City of London institutions while competition in banking has intensified.

Growth in business services is expected to slow from 11 per cent last year to 5.8 per cent in 1989 and 2.1 per cent in 1990. A modest acceleration is forecast for 1991.

Industry Forecast, May 1989. Oxford Economic Forecasting, Templeton College, Kennington, Oxford, OX1 5NY.

Ceiling on pension earnings attacked

By Eric Short, Pensions Correspondent

IF THE UK Government proceeds with its proposals in the Finance Bill to introduce a ceiling on earnings for pension tax purposes, it would constitute of breach of undertaking and be an act of dishonour, according to a financial pressure group.

The accusation comes from the National Association of Pension Funds in a pamphlet* on the pension proposals in the Finance Bill.

There was widespread dismay throughout the pension industry when Mr Nigel Lawson, Chancellor of the Exchequer, introduced a £60,000 ceiling on earnings for pension tax purposes in this year's budget, and announced that this ceiling would be revalued in line with price increases.

The pamphlet argues that this is a fundamental change to pension scheme taxation, saying that an increasing number of employees will be affected in time.

It calls for the support of the Trades Union Congress, the union umbrella body, in opposing the ceiling, saying that "in time ordinary working people will find they are losing out."

Mr Norman Lamont, Financial Secretary to the Treasury, replying to the criticism, has argued to date that since only a small number of employees is affected, it is not such a fundamental change. The minister's implication is that this is the end of the matter.

* *Truth, Honour and Democracy – The Finance Bill 1989 available from the National Association of Pension Funds, 12/18 Grosvenor Gardens, London SW1W 0DH, price 75p.*

Brent oil pipeline reopens after six-week closure

By Steven Butler

THE BRENT oil pipeline system resumed operation yesterday after a six-week closure caused by an explosion at the Cormorant Alpha platform in the North Sea.

The blast caused the stoppage of about 470,000 barrels a day of UK oil production. Cormorant Alpha, which is operated by Shell Exploration and Production, a joint venture between Shell and Esso, served as a pumping station for several fields in the area.

The start-up of the system, which will be carried out in stages, began yesterday with oil bsing pumped from the Dunlin platform.

It will by-pass the system pump station located on the Cormorant Alpha platform.

That station is expected to go into operation at the end of this week, although oil production at the Cormorant platform will not resume until the end of July, Shell said.

Brent crude oil prices had risen sharply on news of the system shut down, but they have eased back in recent weeks.

UK NEWS

Car output forecast to rise to 2m

By Kevin Done, Motor Industry Correspondent

UK CAR production is expected to rise to about 2m a year by the mid-1990s, leading to a radical improvement in the UK motor industry trade balance, a leading industry spokesman said yesterday.

Mr Simon Foster, director of the Society of Motor Manufacturers and Traders (SMMT), the motor industry trade association, said car output has recovered steadily over the past two years from the recession in the early 1980s. Motor industry leaders are becoming increasingly confident that the UK industry's fortunes, aided by the growing output of Japanese vehicle makers, can be transformed during the 1990s, he said.

The industry has been a leading contribntor to the rapid deterioration in the UK balance of trade, but the SMMT believes that increased car output could help virtually to eliminate the industry's £6.11bn trade deficit last year by the mid-1990s.

UK car production increased last year by 7.3 per cent to 1.23m, the highest since 1977 and a 38 per cent improvement from the 888,000 cars produced in 1982, when car output slumped to its lowest level since the late 1950s.

Car output is still well below the peak of 1.92m reached in 1972, but the SMMT believes that this total could be exceeded by the mid-1990s. Car output in the first four months of the year jumped by 13.6 per cent to 476,462 – a trend which could push output for the year to more than 1.4m.

The UK motor industry expects the three groupings of European, US and Japanese car makers each to be producing 600,000-700,000 cars a year in the UK by the mid-1990s.

Nissan is already committed to producing 200,000 cars a year by 1992-93. Mr Yutaka Kume, Nissan president, indicated recently that the company hopes to raise this to 400,000 by the late 1990s.

Toyota is committed to building a 200,000-cars-a-year plant at Burnaston, in the Midlands, with production beginning in 1992. Small increases are also expected from Ford and Vauxhall, UK subsidiary of General Motors of the US, pushing their combined total in the UK to 650,000.

Compaq claims boost in European PC sales

By James Buxton, Scottish Correspondent

COMPAQ, the US computer manufacturer which has its sole European manufacturing site in Scotland, claimed yesterday it has taken the second largest share of the European market for business personal computers (PCs), behind International Business Machines (IBM).

The UK is Compaq's largest market outside the US, with France second and West Germany third. The company claimed "phenomenal growth" in its international sales demanded a £25m expansion of its plant at Erskine near Glasgow for the second time since the plant came onstream in 1987. The expansion will add 450 people to the payroll of the plant, taking it to 1,060.

Mr Eckhard Pfeiffer, president of Compaq Europe and International, quoted figures from Dataquest/Intellient Electronics, the Paris-based research institute, showing that in the first quarter of 1989 it took 10.2 per cent of the market for business personal computers in the seven main European countries, which account for 80 per cent of the total European market.

The figures suggest Compaq has overtaken both Apple and Olivetti though it is still behind IBM. Figures from the research institute for the European market for 1988 put Compaq in fourth place behind both Olivetti and Apple. In the first quarter of this year Compaq's total sales reached $683m, a 55 per cent improvement on 1988 figures.

● Apricot Computers of Birmingham, which has previously specialised in desktop personal computers, will today launch the first of a generation of powerful machines designed to handle the data processing requirements of entire business departments.

The compnters, capable of providing processing power for up to 128 workstations or personal computers connected together in a network, are thought to be the first in the world to use the latest standard microprocessor from Intel of the US, the 80/486.

Chambers criticised in UK report

By Hazel Duffy

SERVICES offered by the UK's chambers of commerce vary so much the situation is often "chaotic", claims Mr Tony Platt, chief executive of the London chamber, in a report published yesterday.

They are also substantially under-resourced compared with European chambers, hampering their effectiveness.

The London chamber, the UK's largest, has 5,000 members, an income of £3.3m a year and 140 staff. The Paris chamber has an income of nearly £150m, employs 3,200 people and serves a quarter of a million businesses.

Paris is one of five chambers studied. Like the others – Amsterdam, Hamburg, Munich and Madrid – it provides a wide range of education and training services.

Publication of the report is aimed at opening up debate on the future role of chambers of commerce in Britain.

The continental chambers studied enjoy a reputation as bodies to which businesses are automatically linked and from which they expect services.

Eight of the 12 EC states require businesses to register automatically as members. The London Chamber is not recommending that the status be extended to Britain.

Chambers of Commerce: the challenge of the 1992 EEC internal market from the London Chamber of Commerce, 69 Cannon Street, London EC4N 5AB.

'Big Eight' accountants post strong rise in 1988 fee income

By Richard Waters

THE UK's largest accountancy firms yesterday reported strong fee income growth for 1988 and said there was no indication yet of any slowdown in activity among corporate clients.

Many emaller firms, however, saw little growth once fee increases due to higher salaries were taken into account.

In their role as financial advisers and management consultants, accountants are close to many companies' investment decisions, making them a useful barometer of corporate sentiment.

Fee income growth for the "Big Eight" firms, which co-ordinate the publication of their financial results, was broadly in the 20-30 per cent range. This matches growth rates throughout the 1980s, which have seen the accountants grow strongly across a broad range of professional services.

The profession's "Top 20" is one of the highlights of the accounting calendar. The changes this year include:

● Coopers & Lybrand pulled ahead of Price Waterhouse in what has become an epic battle for the number two slot.

● Arthur Andersen, powered by continuing growth in its information technology division, leapt over Touche Ross into sixth place but failed to overhaul an anxious Ernst & Whinney. Andersen, last of the big international firms to establish a base in the UK, has moved inexorably up the league in recent years, but has been unable to build the auditing base that would put it alongside the largest firms.

The firms predict another good year in 1989, despite signs of an economic slowdown. Mr Brandon Gough, Coopers chairman, says that much of the advisory, tax and other work of accountancy firms comes from merger and acquisitions, which remain a strong area.

With less repeat audit business than in the past and order books typically showing only around three months' work at any one time, however, the accountancy firms are beginning to sound cautious about the future.

The next year could be the one which puts these professional services conglomerates, built during the bull years of the 80s, to the test.

Education should 'copy' US methods

By David Thomas, Education Correspondent

BRITAIN will have to copy central aspects of the US college system if it is to draw more young people into higher education, an official report from the schools' inspectorate has concluded.

The report, based on a visit to nine East Coast universities and colleges last year, is likely to be widely quoted by Government ministers in their drive to reform UK universities.

Mr Kenneth Baker, Education Secretary, has already invoked the greater variety of provision in the US when describing his long-term plans to double participation rates in British higher education.

The inspectors point to the greater diversity of US post-secondary education, a trend which Ministers are trying to encourage in the UK.

US colleges are more accessible because they offer wider range of courses, encourage movement between part-time and full-time study and adapt their teaching to the needs of students who are also working.

This diversity is reflected in widespread differences in the costs of courses, in tuition fees and also in lecturers' salaries, which are closely related to the market. The inspectors also confound the claims of free market theorists in the UK by pointing to a relatively large Government role in funding US higher education.

Aspects of Higher Education in the USA. HMSO. £3.50.

JOBS

Why mission statements often miss their aim

By Michael Dixon

EXECUTIVE career problems are so widespread in America that a magazine there hires a business-school professor to advisa on them openly, agony-aunt style. Or so says a reader in the United States, who neglects to name the magazine.

It so happens that such problems are far from rare east of the Atlantic as well, to judge by the frequency with which they arrive at this corner of the *FT*. The difference is that in most cases there would be no use in an open reply.

The problem is typically a very specific one prompting its victim to seek a move, and to enclose a personal career history to guide the Jobs column in nominating snitable recruiters to approach. Alas, much as I would like to be able to help on an individual basis, I am not in a position to do so.

The whole business is doubly frustrating because, although unable to run to hiring a bnsiness-school professor, I have long had a sneaking ambition to try my own hand as an agony uncle. But although you readers often kindly respond to my requests for information and less kindly argue with my statements, you hardly ever come up with the broader career-related questions that would allow me to rehearse the avuncular role.

Luckily, however, a rare example has jnst arrived from a young man living in west London. He writes:

I have been offered a post involving a good step up in salary, but am put off by the firm's "mission statement". The most definite thing it states is in the first sentence, which runs: "Our aim is to be the best company that anyone ever did business with or worked for."

I can't help feeling it would be risky to join employers so woolly minded as to lay down such a meaningless aim. After all, if the company achieved it, how could anyone tell? As the increased pay would be welcome, though, I would value a second opinion.

There'e my cue, then. So *here goes:*

Dear Put Off of Putney,

It was thoughtful of you to type your name beneath your signature, but yon needn't have added the letters BSc at the end. I had already twigged that you were a science graduate from the question you posed in your second paragraph. Unfortunately, to reject the aims in companies' mission statements as meaningless because they are not testable – in the sense that if they were achieved, nobody could know – is to miss their main point.

If you want a scholarly praralleI, you might try the offshoot of archaeology known as proxemics. Its enthusiasts typically start expounding it by asking why ruling castes of societies have historically epent disproportionate chunks of the national prodnct on building gigantic things like pyramids and such.

Then, usually without waiting for an answer, the expounders explain that all members of any society have their own sense of fitting proportion, which is largely determined by the sizes of the things they live among. Whereas the lower orders would feel outlandish at least for a time if suddenly moved into a mansion, the npper crust would feel hemmed in by a semi-detached.

Hence, proxemicists say, the ruling castes devised a subtle tool of social control. If they had something built vastly bigger than anyone habitually lived in, all ranks would be able to see their own familiar proportions in it and so feel comfortable, while holding the leading citizens responsible for the excrescence in awe.

If so, the theory may explain the palatial head offices of large companies. Perhaps, far from needing big buildings because they have to have so many central staff, they are motivated the other way round.

Be that as it may, though, mission statements have a similar object. While they tend to be viewed as a recent phenomenon, their prime advocate was Chester Barnard, a former president of Bell Telephone in New Jersey, over 50 years ago.

He said that their point was not to be meaningful to any of the employees in particular, but to mean all things to them all. If the statements' aime are spelt out in concrete detail, various staff will soon spot that they disagree with at least some of them. But when the aims are "general, intangible and of sentimental character, the divergences can be very wide yet not be recognised."*

So the company aiming to be the best anyone ever did business with etc seems to have heeded Mr Barnard'e words. Nonetheless, it could well be undoing the good work with another hand.

For there is evidence that some British followers of the fashion for having a stated mission take care to ensure that most of their employees don't know what it is! A recent survey of 111 of them by Peat Marwick McLintock found that only 34 per cent made the contents of their statements known to all employees, compared with 46 per cent restricting them to senior management and directors alone.

How even top managers could decide to something so ludicrously daft, I cannot imagine. But if the company offering the job is one of the lunatics, my advice is to turn it down flat.

That said, Dear Put Off of Putney, whether or not you feel you have had your money's worth in return for your letter, you must surely agree that I've had mine.

The Functions of the Executive, Harvard 1938, Ch 7.

Finance chief

NOW to the City of London where Doug Alexander of MSL International is offering a financial director's job on bebalf of an international insurance group he may not name. So, lika the other recruiter to be mentioned later, he promises to abide by applicant's requests not to be identified to the employer at this stage.

The post requires deep understanding of the City in general and corporate finance in partlcular, together with leadership skills as well as accounting expertise. Candidates should be qualified accountants already ranking as senior managers, preferably albeit not eseentially in the financial services field.

Salary about £120,000, with City-type perks.

Inquiries to 32 Aybrook St, London W1M 3JL: tel 01-487 5000, fax 01-224 2350.

Marketing head

RECRUITER Brian Standring seeks a marketing director for an international group's company specialising in cash-handling products. It sells in the Far East and Central America in addition to Europe including the UK.

Prime tasks for the newcomer, based north-east of London, are to revamp sales control systems, recast the sales force so that they are sellers first and engineers second, and redouble export business.

Candidates should be proven makers and managers of sales and marketing of practical type although able to devise strategy. Language skills a help.

Pay about £31,000 plus car.

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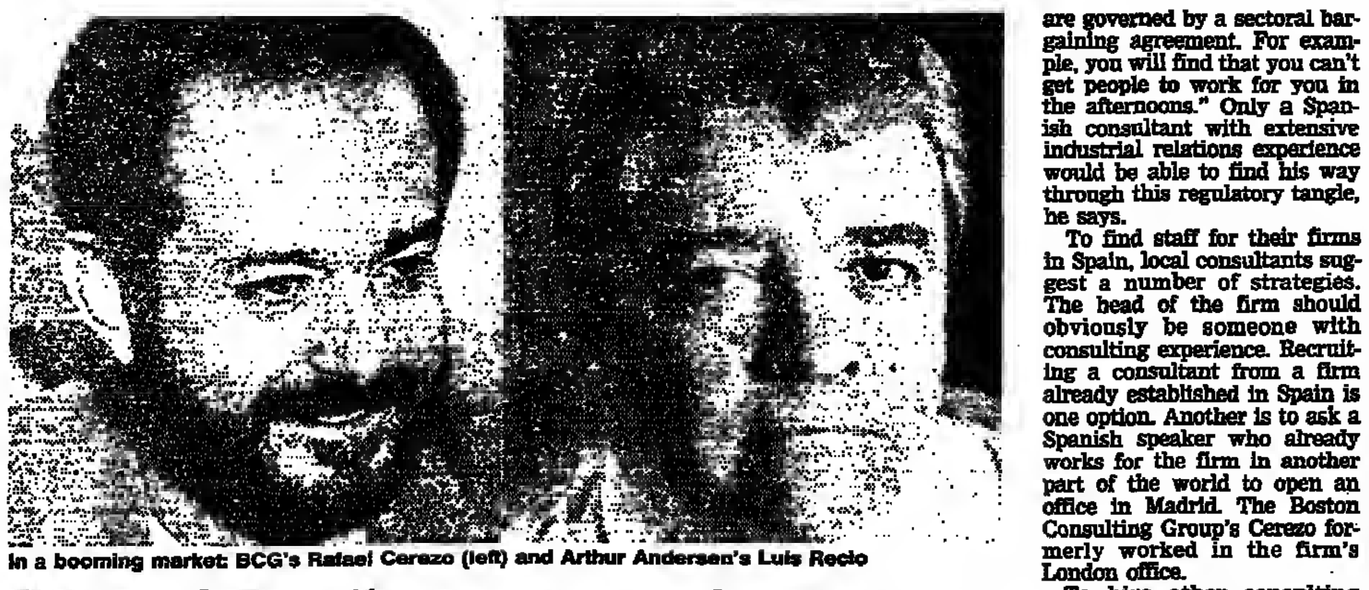
MANAGEMENT

It is 4.40 on a hot afternoon in Madrid and Luis Recio Rodriguez has just returned from lunch.

Recio is the managing partner of Arthur Andersen's consulting practice in Spain. He does a lot of his business over lunch. Personal contscts matter in Spain, he says.

Recio says he wouldn't dream of trying to win business by placing advertisements in newspapers, as British management consultants do. "It's not elegant. It's not professional," he says.

British and American consultants might not be able to transfer all their habits, unchanged, to Spain. But that does not stop their eyes from lighting up whenever the country is mentioned. Management consultancy is booming in Spain.



In a booming market: BCG's Rafael Cerezo (left) and Arthur Andersen's Luis Recio

Rapid change gives consultants a boost

Michael Skapinker examines the new willingness of Spain's managers to accept outside advice

Twelve yesrs ago, Arthur Andersen had 20 coosultants there. Today it employs 1,300 in five offices. Price Wsterhouse, which began its consulting practice in Spain six years ago, employs 550 consultants.

By comparison, PA, Britain's largest consulting group, employs 1,000 consultants in its UK practice. It started operating in 1943.

"Discootiouity is always good for consultants," says a Madrid-based partner of one international firm. Spain's entry into the European Community in 1986, the impeoding completion of the single European market, rapid ecooomic growth, foreign investment, and the increasingly international orientatioo of Spanish companies have all fuelled the demand for consulting services. "There's certainly a mood of economic euphoria in Spain," the consultant says. "Real estate prices have gone through the roof."

Consultants based in Spain believe that there is still plenty of business for new arrivals. It is not just a case of the demand for consulting services exceeding the supply, says Manuel Balmaseda, executive presideot of Hay Management Consultants in Spain. "The supply is building up the demand," he says. "If you are able to place the supply under the eyes of the clients, they will buy it."

Although Spanish companies are becoming more sophisticated buyers of consulting services, "the market is still not very mature," Balmaseda says. "You have plenty of bright general managers who do not know tbe difference hetween Hay and McKinsey."

Rafael Cerezo of the Boston Consulting Group agrees that "people who boy coosulting services are not really clear what they're buying. The more you get into strategy consulting, the less clear they are." He says that there is still some embarrassment about using consultants to help formulate the company's strategy. Some Spanish executives think this is something tbey should be eble to do themselves.

Coosultants say that there is, at tbe same time, a tremendous hunger in Spain for new ideas, particularly foreign ones. This does oot mean, however, that any foreign consultant who opens an office in Spain will automatically succeed. The Spanish consultants' distaste for newspaper edvertising as a means of promotion is just one example of the traps that await firms which think they can operate precisely as they do at home.

For one thing, consultants should forget about operating in Spain unless they speak fluent Spanish. The theory – much favoured by British and American businessmen – that everyone in Europe speaks English is of doubtful validity. In Spain it is simply nonsense. Many Spanish executives, including the beads of some of the country's biggest banks, speak no English.

Foreign consultants who speak good Spanish and know the country should, however, be able to attract clients. "For a foreigner who speaks Spanish there should be no problem," one Madrid-based consultant says. "Many Spanish clients like the idea of working with a blue-eyed, hlond Viking. I've never heard of a single case of a client coming out with 'I won't work with this guy because he's a foreigner'."

On the contrary, some local consultants give their firms English names because they believe that that is what Spanish clients prefer. Kambiz Goharriz, a British-educated Iranian who set up an executive search and consulting firm in Madrid two years ago, decided to call it Harper and Lynch. "There's still the idea here tbat tha British and Americans are more professional consultants," he says. "In Spain if it sounds foreign it must be good."

What types of consulting services are in demand in Spain? As in other parts of the world, consulting on information technology forms a large part of many practices. At Arthur Andersen, Recio says that IT consulting accounts for 75 per cent of the firm's practice.

Human resources consulting is another growing sector. Hay's Balmaseda warns, however, that it is a field which can be particularly hazardous for foreign consultants working in Spain. Large areas of personnel management, including salaries and joh descriptions, are governed hy trade union agreements or government regulations, many of them dating back to the Franco era.

"Everything is very regulated and many multinational companies don't grasp this," Balmaseda says. "Many changes that you might want to introduce will be legally impossible. You can't just say 'this is the right thing to do so let's do it.' If you want to start an insurance company in Spain you will find that you are governed by a sectoral bargaining agreement. For example, you will find that you can't get people to work for you in the afternoons." Only a Spanish consultant with extensive industrial relations experience would be able to find his way through this regulatory tangle, he says.

To find staff for their firms in Spain, local consultants suggest a number of strategies. The head of the firm should obviously be someone with consulting experience. Recruiting a consultant from a firm already established in Spain is one option. Another is to ask a Spanish speaker who already works for the firm in another part of the world to open an office in Madrid. The Boston Consulting Group's Cerezo formerly worked in the firm's London office.

To hire other consulting staff, many firms turn to business schools. Spanish speakers graduating from the top American schools are in great demand. The Instituto de Estudios Superiores de la Empresa (Iese) in Barcelona is also highly regarded.

Hay's Balmaseda snggests another group of consultants that foreign firms should try to recruit: women. He and other consultants say that Spanish clients are increasingly ready to work with women consultants. Some female consultants are unhappy with prospects and conditions in their existing jobs and might welcome an approach from another firm.

How should newly arrived consultants go ebout winning clients if advertising is out of the question? One answer is to start off hy working with the local suhsidiaries of established clients. Some consultants begin to work in Spain when one of their existing clients opens an office there.

Successful local consultants say that hosting a conference is a good way for a firm to advertise its name. Articles in local newspapers can also be helpful.

Despite the current mood of optimism, however, some warn that the consulting hoom might not carry on indefinitely. BCG's Cerezo says that firms like his are only interested in clients of a reasonable size and "in Spain there are not many of those. At our end of the husiness I think there's enough work for everybody until the 1990s. After that I would be careful about growing too fast."

The first article in this series appeared on May 26. The final article will be published on June 2.

Hidden assets uncovered

Michael Dixon on surprising solutions to personnel problems

What to do about Mary was a continual worry to the personnel department of an international publishing company. The problem was not her work. She did her clerical job in the cashier's office as diligently as her bosses could wish.

Unfortunately, her office colleagues disliked working with her. She came to Britain after escaping from East Berlin, and while she speaks English well in a technical sense, her way of speaking it tends to offend English sensibilities. One frequent cause of complaint, for instance, was her habit of responding to colleagues' inquiries with a peremptory: "Vott?"

Meanwhile the sales ledger office across the corridor was having a different sort of trouble. Try as they might, its staff could not persuade the company's Continental customers, most of whom are German, to settle their accounts in reasonable time.

Both problems went on side by side for over e decade before someona recently had the idea of promoting Mary from the cashier's section to the job of rounding up the Continental debtors. She has since cut the average time for payment by 30 days – the equivalent of an extra £1m cash in hand – and become one of the company's most popular people.

Having discovered that a personal liability in one work setting can be a human asset in another, Mary's single managers are keen to apply the principle more widely. But they are not kicking themselves for having taken so long to make the discovery. They recognise that the single solutinn to the two problems might still be eluding them if impending events in the employment market had not concentrated their minds on the work-skills available to their company.

Like many managements, they are seeking ways of countering worsening shortages of recruits as fewer and fewer people reach an age to start work at the same time as more and more reach an age to retire.

While the drop in eligible young employees in Britain is steep – from a peak of 3.7m in 1983-84 to only 2.6m about five years hence with a slight upturn to 2.7m around the year 2000 – it is steeper still in West Germany and Italy. UK companies should also find it easier to import recruits. Not only can they draw on Ireland where there is no comparable drop, but many young people in other countries are fluent in English whereas most of their UK counterparts speak no other tongue.

Even so, numerous British organisations have decided to prepare for severe shortages. Some big manufacturers are aiming to reduce their needs of human skills by importing "expert" computer systems to replace large numbers of managers and technologists as well as operatives. In most cases the aim is rather to maintain future supplies of educationally successful recruits at present levels despite sharpening competition. Plans include sponsoring students through their degree courses or even – since the market is likely to be crowded with would-be sponsors at that stage – through sixth-form schooling.

The trouble with such measures, of course, is that they are elaborate and expensive. Moreover, in the view of Professor Keith Sisson, director of Warwick University's industrial relations research unit, they are apt to distract managements' attention from simpler methods of countering scarcity.

"For instance, companies that think they're ahort of skills often have them evailable already," he says. "After all, people do all kinds of clever things in their spare time. A firm might be desperate for management talent without knowing that some apparent idiot on the production line is outstandingly successful at running a local club.

"So one useful step is to make an inventory of employees' spare-time skills so that, given a relevant shortage, they could be offered a chance to use them full-time. My guess is that they'd mostly jump at it – to everybody's benefit."

Mary and her employers would agree.

Management abstracts

Readability of the chairman's report. *M J Jones in Accounting and Business Research (UK), Autumn 88 (9 pages)*

Looks at the chairman's reports of H P Bulmer (cider) over a 25-year period and considers that they are difficult to read. Finds that they became more difficult over the years, and believes this to be because of the increasing complexity of the business environment, the growing sophistication of the reports' users, and the public flotation of the company.

The ethics of corporate restructuring. *E L Hennessy in Directors & Boards (US), Autumn 88 (5 pages)*

Considers mere insider trading and overcharging on government contracts as minor misdemeanours compared with the activities of "wolf-packs of corporate raiders, investor groups, and banks" who "make a few people rich and lots of people unhappy" by their operations. Condemns their for-short-term-gain activities as the "reverse of evolution" and exhorts executives to consider the longer-term implications; they will then see that risk-taking is more important than immediate gain.

Safety and human error. *D Lucas in Health & Safety at Work (UK), Nov and Dec 88 (6 pages)*

Examines approacbes to reducing human error as a contribntory cause of industrial accidents; looks at motivational safety campaigns, disciplinary action, safety audits, more plant automation to reduce human input, improved training and job, equipment or procedure re-design. Stresses that no single approach can tackle all human failures – although training and system re-design offer more hope than others offering limited benefits.

The 36 great truths of direct marketing. *M Pierce in Direct Marketing (US), Oct 88 (2 pages)*

And some of the great truths are: the strongest word in the mail-order dictionary is "free"; a letter from a man (as opposed to a woman) will achieve higher ettention and credibility; hnmour never works; and always use tbe word "you" in a headline.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TELEVISION

Bring the House into the home

Christopher Dunkley argues the case for taking the cameras into Parliament and the law courts

In 1953 tha Conservative Government opposed tha use of television cameras in Westminster Abbey to cover the coronation of the present sovereign. But the royal family, with its superior instinct for tha public mood, and with the continuation of its power dependent upon its popularity, persuaded the politicians to change their minds. The BBC was allowed in, the oldest and most arcane event in British constitutional life was captured by the cameras, and on June 2,1953 there were more viewers per television set in Britain than ever before (or since). The world did not end.

Decades ago the major religions realised on which side their bread was buttered and ushered television cameras into their churches. God sent no bolts of lightning. Many viewers are now conversant with the insides of the human body, thanks to the willingness of surgeons to have television cameras peer over their shoulders as they operate. It seems that this does not offend against the Hippocratic code. With the help of "fly on the wall" cameras we have eavesdropped on some of the most intimate and touchy episodes in human life: childbirth, horse-trading among diplomats at the UN, the counselling of families blighted by incest. All this television has enabled us to see without society falling apart.

Is there anywhere left where the cameras cannot go? Indeed there is. In fact there are two notable places in Britain, and the irony is that both are, by law, open to the public. Not only that, but public access to them is regarded as one of the central tenets in Britain's unwritten constitution. Every single member of the television andience is allowed to go into these places to see for himself or herself what is going on, yet we are – so far – denied the right to use the television cameras to enable more of us to do this.

They are, of course, the House of Commons and the courts, and in the past few days proposals have been put forward to open both to the cameras. Looking ahead even a relatively short time to, say, the year 2009, it is almost impossible to believe that television coverage of both Commons and courts will not have become routine. At that date teenagers will probably react with incredulity when told that as late as 1989 cameras were barred from these public places.

And yet, now that access via the camera begins to seem a distinct possibility, there is a significant body of opinion warning that if it does happen the sky will fall in. Furthermore efforts are under way to ensure that if the cameras do go in, then – at least in the case of tha Commons – the broadcasters will be forced to operate under such rigorous constraints that they will be obliged to misrepresent reality.

For instance, the Select Committee which has framed the rules for the proposed telavision experiment starting in November, assuming the House agrees, demands that in the case of serious disruption in the chamber the cameras must lock onto the Speaker's face and stay there. Reasonably enough, on the day that this was revealed, *Channel 4 News* played a television recording of the notorious storming of the Spanish parliament hy armed men, making the point that in similar circumstances in Britain the broadcasters would be prohibited from photographing and identifying the offenders.

The Bar Council which has recommended a change in the law to allow cameras into British courts (following successful experiments in Australia, Canada, France, Italy, the US and elsewbere) believes that the chief benefits would be in informing and educating the public and in enhancing confidence in the legal system. Those who have served on juries and listened with astonishment and horror to the awful minestrone of shredded and garbled ideas, collected from *Cagney And Lacy*, *Z Cars*, and *Ironside* which appears to constitute the understanding of so many fellow jurors concerning the law, would agree vehemently.

The use of television to extend the public galleries of Parliament and courts into every home in the land looks like sheer common sense. Thanks to modern technology, late 20th century Britain could move closer to a true participating democracy than any society since the Greek city states. And yet, as we finally begin to move towards that position, influential people insist that the entry of the cameras would be a retrograde step. Why?

Lurking behind all the other arguments you can discern a deeply English sense of fastidiousness: a feeling that ancient democratic bodies (and in the case of the Commons an exemplary one, though not, of course, "the mother of parliaments" which was John Bright's phrase to describe England) will be tainted by the show-business of television.

This seems to be largely the imputation of guilt by association. Nobody feels that Hansard is tainted by appearing in print, even though that is the very medium used for *Fanny Hill*, *Woman's Own*, and Fay Weldon novels. The difference, presumably, is that print allows for separate sets of covers around each pnblication, whereas with television we watch Parliament on exactly the same set which gives us *Dallas* and *Darts*. We shall just have to learn to live with that; it is fundamentally unimportant.

It is certainly true, however, that television does have an effect even upon those subjects which it treats in the most serious manner that it can achieve: fine art in *Civilisation*, natural history in *Life On Earth* and ethics in Brian Lapping's *Hypotheticals* on ITV are made more attractive to a mass audience than they would have been in the pre-television age wben they were the exclusive property of an aristocratic and educated elite. Though Kenneth Clark may sound plummy today when BBC2 repeats an episode of *Civilisation* as it did recently, the fact is that both his vocabulary and the arrangement of subjects in his programmes do owe something to the "show business" of television.

The same is true of Attenborongh and *Life On Earth* and of *Hypotheticals*, which is back this week discussing complicated moral, legal and philosophical matters (tonight: the first black family on a council estate) within a framework which deliberately exploits the attractions of American courtroom drama to spice up subjects which are felt to be less than enthralling to the general viewer.

All that is true, as it is trua that television will have an effect upon the Commons. The very act of "televising" anything does change it, not in the mystical sense that primitiva peoples believe they are changed and their souls stolen, when cameras take their photographs, but simply hy making information whicb was once the privileged property of the few into the property of the many. This effect is undeniable but the crucial question is wbether you regard the change as good or bad.

True democrats would surely argue that even if television were to change the atmosphere of Commons and courts, or the manner of their proceedings, quite considerably (which seems unlikely, given that no such effect has been noticed in all the other parliaments and courts around the world which are now routinely televised) that would still be a price worth paying in order to make the activities of these places visible for the first time to the entire population.

It is surely more important that all of us should be able to see what is done in our names by those that we elect to go to Westminster than that those who are elected should be able to maintain the atmosphere of a 19th century gentleman's club which, understandably enough, many of them enjoy so mnch. And it is surely better to reduce the mysticism of tbe courts and the widespread fear of the legal system even if that does mean reducing the awe in which judges have traditionally been held.

There is, finally, a widespread albeit vague feeling that, thanks to the interpolation of television between ourselves and reality, we are beginning to lead our lives at secondhand. That is the sort of irrational technofear which led to the belief in the early days of steam trains that they were "unnatural" and that human beings would die if they travelled at more than 20 miles an hour. Television is a mechanical communications tool as well as an entertainment medium and it is high time it was used more to improve public life.

The Commons in action: thanks to modern technology, late 20th century Britain could move closer to a true participating democracy than any society since the Greek city states

She Stoops to Conquer

CRUCIBLE THEATRE, SHEFFIELD

A bare, boarded floor on the small raised stage that occupies the interior of the big open stage of the Crucible; upstage, two or three chairs against a small table. This is the sitting-room in Mr Hardcastle's house; the house that his wife thinks no better than an inn, as conceived by designer Tim Reed. We see how rigbt it is when the Hardcastles sit down to their coffee. No London manners for Mr Hardcastle, as George Raistrick plays him; it would hardly have been a surprise if his country-squire manners let us see him drinking out of his saucer.

This prodnction accords Goldsmith's comedy a proper respect for its jokes. The play can become dull, with its all-too-visibly constructed tensions; what is vital is to ensure that each comic event is presented with a proper sense of its truth, played not so mnch for laughs as for its possible emharrassment. What would be Marlow's feelings if Hardcastle told him at once that his house was his house and not The Buck's Head? if Kate told him sharply that she was not a barmaid?

But we have watched Goldsmith building these situations in front of us, so that we may feel like Marlow or Hardcastle ourselves – the vital basis of farce – and nnless we believe in the unbelievable complications we are shown, we shall find nothing to laugh at. Paul Whitworth's direction ensures that we usually do believe what we see, even though we may realise how silly the people were to get themselves into such difficulties.

Kate (Caroline Holdaway) is among the silliest, for she persists in acting as a barmaid withont making any proper effort to lure Marlow ont of the bashfulness he displayed at their first meeting. The author has made her duplicity easy by insisting that snohhish, townsick Mrs Hardcastle (Janet Henfrey) shall make her dress smart in the morning and simple in the evening. Miss Holdaway doesn't exaggerate this with a rustic accent or the downstairs behaviour exemplified by the servants. She merely modifies her conversation and her manners, leaves her hair uncoiffed and so rightly wins her man.

Whether he is worth winning is another matter. Ian Fitzgibbon's excessive display of shyness in front of the smart Kate, carried to balletic lengths, labels him virtually dotty, prettily though he does it; this was the only time in the evening that I failed to believe what I saw. Later, as an arrogant young bachelor most at home among older ladies, he was much more convincing. As for Richard Clifford's Hastings and Mary Askham's Constance, they were two dacent upper-class young people with no faults that were not general in the fiction of their century.

Tony Lumpkin was given by Geoffrey Church with a sensible lack of exaggeration, apart from his beer-belly. He is not really keen on coming of age – see how he almost stamps on his wig when he has to wear it. He is old enough to use the pub, where he is liked; but if his mamma chooses to treat him as a child, he can choose to be one. Yet in fact he is generally helpful and friendly, and probably no more nuisance about the house than most of his age. Boys should be put in cold storage between 13 and 21 anyway.

Geoffrey Church

Tha plain, boarded decor serves in a variety of locations by the use of a few needful props; in the garden scene a slight mist escapes from under the stage and owls call above it. The songs are attractively, and never showily, sung. Pretty use is made at starts and finishes of a violin-player in 18th-century kit, playing 18th-century music. Familiar plays often have an unfamiliar look at the Crucible, and this production, with its likeable simplicity, is no exception.

*

Earlier in the evening, Clare Venables, the Artistic Director, announced details of the next season in the Crucible's main house, and the same differences were there. It opens on September 29 with a new adaptation of *A Tale of Two Cities*, made by Andrew Wickes. This celebrates tha 200th anniversary of the French Revolution, and gives good material to Wickes, who did a successful *Tom Jones* for the Crucible.

This is followed on October 26 by Noel Coward's *Design for Living*, one of the least-often seen of his mature comedies. The Christmas show, *Babes in the Wood*, opens on November 30. Then comes a classic from a writer not often acted in England, *Racine's Britannicus*, opening on January 26. Next, from March 2, a musical, *The Boys from Syracuse*, adapted (very roughly) from *The Comedy of Errors*, with songs by Rodgers and Hart that have become well-known from the film, though the Drury Lane production was unsuccessful. Another comedy next, Garson Kanin's *Born Yesterday*, opening on May 24; and to end the season, Louisa M. Alcott's *Little Women*, opens on June 21, a positive attempt to match the endless stories for boys with an equally well-loved story for girls.

B.A. Young

Elegy for Young Lovers

QUEEN ELIZABETH HALL

Like other Hans Werner Henze operas, *Elegy for Young Lovers* – libretto by Auden and Kallman – somehow hasn't had its just due yet. Like most of the others, it has a schematic, even cynically theatrical plot: here, monstrous egocentric poet abandoned by young mistress gets both revenge and inspiration for his next major poem by sending her with her lover on a fatal edelweiss-hunt when a blizzard impends. Again Henze gives a clever text room to turn its own arabesques, while more thougbtful and troubling things stir beneath the opalescent surface of the music, dark currents under a little soap-bubble world.

The musical virtues of the Volte-Face production, given at the weekend as part of the London Opera Festival, were considerable. At best Philippe Piffault's staging didn't get in the way of the opera, hut rather often it did. For the usnal irrelevant reasons, the designer Antoine Fontaine chose to transfer Auden's little world from its proper Alpine hotel to an archaeological dig, whicb was neither bere nor there (the programme-photo of the maquette looked better than the stage result). Much more damaging was Piffault's insistence on displaying all the principals as frigid poseurs – even the young lovers, whose wistful, disillusioned carolling was thus denied any poignant effect, and tbe opera its humana side.

Vocally, Bronwen Mills and David Aldred were admirable; her 'My own, my own' was sad and limpid, and his tone had a cnrions barsh edge that suggested a more interesting youth than the text indicates. As the domineering poet, Glenville Hargreaves – a lucky last-minute replacement for Henry Herford – hrought his previous atage-experience of the role to bear and offered a rounded character in detail, if never on the intended scale of wilfulness, self-mockery and menace. Louisa Kennedy took the mad Hilda's coloratura flights with grace, and the greyer persons were coolly enacted by Margaret McDonald and Meurig Davies, with what seemed minimal assistance from the producer.

Static poses were the order of the evening, varied occasionally by making someone sing while lying backward over an archaeological rock. With all the action in the dialogues, not nearly enough of tbe words were distinguisbable, for the uncovered orchestral ensemble occupied the aural foreground. Only in the last act, with singers up front and lighter scoring, did the lines begin to tell.

The mingy synopsis in tha programme must have left most of the audience, much of the time, unaware of just what was going on. In fact the orchestra, conducted by Rupert Bawden, gave a precise and delicate account of the score, witb more sympathetic insights than were ever to be discerned on stage. Thay deserved a proper pit to be heard from in proper balance. Thanks to them especially, the personal, worrying flavour of the piece found its way into the hall, in spite of a production which captured neither that nor anything sufficient to give a longisb evening an interesting shape.

David Murray

London Symphony Orchestra

BARBICAN HALL

The box-office draw at the Barbican on Friday was Kyung-Wha Chung's playing of the Beethoven Violin Concerto. Bnt the substantial audience which turned out for tbat bankable performance received a double bonus in the shape of Colin Davis's accounts of Stravinsky and Sibelius.

Botb composers could now be counted as Davis specialities. He led off with tba Symphonies of Wind Instruments (in its later, more commonly played version) and there in the lncid proportioning and faultless slotting together of the structural mosaic showed the benefits of firmly established familiarity.

He has long championed Stravinsky, but Sibelius is a newer enthusiasm, dating from his association with the Boston Symphony, with whom Davis recorded a cycle of the sympbonies. But his interpretations have evidently continued to broaden and develop since those discs appeared, so that one was hardly prepared for the majestic authority with which the Fourth Symphony was unfolded here.

It began with deceptive simplicity, allowing the opening cello solo to expand naturally; restraint was everything and details were touched in with the minimum of rhetoric. Tempi were measnred; the Allegro of the scherzo rarely qualified as *molto vivace*, though each section was mindfully articulated and the LSO's playing, lean-toned rather than sumptuous, was unfailingly careful and responsive. The first two movements nevertheless seemed more like scrupnlous preparation than final statement, but what they were preparation for emerged only in the slow movement.

Thera, Davis steered the symphony into the most rarefied territory, measuring the silences as significantly as the paragrapbs and pointing up the kinship with Bruckner's slow movements and the sacred rituals of *Parsifal*. The sustained intensity was compelling, and I cannot remember anotber Sibelius performance in the concert hall at the same time so serious and so elevating.

Remaining loose ends were tied in the finale, but still with rhetoric minimised; no easy fixes were suggested, and the Symphony faded away as enigmatically as it had started, though its outlines had been very deeply etched.

Andrew Clements

ARTS GUIDE

May 25-June 1

THEATRE

London

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and its resident theatre company. Moving and shocking. Nicholas Hytner directs, Bob Crowley designs, good music arranged by Jeremy Sams (928 2252).

Single Spies (Queen's). The highlight of playwright Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Simon Callow plays Guy Burgess in a re-hash of Bennett's fine TV film *An Englishman Abroad* (734 1166).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (379 6107, cc 741 9999).

Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Icecream (Royal Court). Caryl Churchill's new play is a dense 70-minute meditation on a transatlantic misalliance between two Americans and their distant English relatives. An intriguingly murderous exercise in style, directed by Max Stafford-Clark (730 1745).

King Lear (Old Vic). Eric Porter in titanic and lyrical form in Jonathan Miller's production. Paul Rogers is Gloucester, Gemma Jones and Frances de la Tour are Goneril and Regan. The lighting has been described as either murky or a calculated sop to 17th century Tenebrist painting (928 7616, cc 261 1821).

Ivanov (Strand). Alan Bates and Felicity Kendal lead a new ad hoc classical company in Chekhov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. Bates interestingly renders the critical suicide a Simon Gray character (836 1660).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreograpbed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the beyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow bumour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in whicb the songs are used as anditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6300).

Washington

Speed-the-Plow (Eisenhower). David Mamet's vivid view of Hollywood as a den of thieving deal makers stars William L. Petersen, Bob Balaban and Felicity Huffman. Ends June 11 (254 3670).

Chicago

Driving Miss Daisy (Briar Street). The tonching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

The Phantom of the Opera. Nissei Theatre (045 903 5701). This excellent production (in Japanese) is a carbon copy of the London original.

Blues in the Night. Theatre Apple, Shinjuku. (587 5444). Musical revue from Off-Broadway, featuring black music of the 1920s and 1930s. In English.

Sergei Leiferkus

QUEEN ELIZABETH HALL

Since he first appeared at the Wexford Festival, this splendid Russian baritone has been popping up in opera all over Britain. It seemed unnecessary of him to fill the first half of his recital on Sunday with operatic arias, unless he was aiming to remind somebody that he sings more roles we've had the chance to hear yet.

At least tha arias covered an interesting range, including not only favourite bits of Escamillo and Don Giovanni, but Gianni Schicchi, Iago and Rodrigo (*Don Carlo*) too, and some Massenet and even "To be or not to be" from Ambroise Thomas's *Hamlet*.

With the less familiar numbers, one was less often reminded of how much better they work with orchestra. At the piano Helen Robertson-Barker rarely conjured up any orchestral illusions, and indeed some of the accompaniments barely passed muster as *piano* sound. (Sbe rose to better form in the second balf, with genuine piano-writing to tackle instead of reductions.)

In the circumstances Leiferkus's lusty attack and his reliably brazen tone, which is unmistakably Russian in any language, gave an unjust impression of sameness, for all the care he lavished on differentiating his characters.

The genuine recital-songs after the interval included Shakespeare sonnets addressed by Shostakovich and by Kabalevsky. The latter's op. 52 set proved amiably sentimantal and ordinary; Leiferkus also introduced a Heine set by Valery Gavrilin, a composer who seems to follow Shostakovich's lead so sedulously tbat he migbt as well slip into his boots.

A further, improbable, Shostakovich setting was of Burns's "Macpherson before his execution": Russian gallows-humour is decidedly different from Scottish.

None of this really exercised the baritone's remarkable powers as mucb as one had hoped - opera shows him off better.

David Murray

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Good sense from Nato

PRESIDENT George Bush will be justified in looking back at the Nato summit as his first important foreign policy success. After all the procrastination of the past few months, Mr Bush has regained the initiative for Nato in the arms control debate and negotiations, dominated hitherto by Mr Mikhail Gorbachev.

With his proposal for a 20 per cent cut in US forces in Europe to 275,000 and his demand that the Soviet Union should accept the same ceiling – a move which would require much more drastic reductions on the part of Moscow – the US President has put the ball back firmly in Mr Gorbachev's court. After the Warsaw Pact's latest proposals on tank, troop carrier and artillery ceilings, the respective positions are now sufficiently close to envisage a reasonably quick conclusion of the conventional forces negotiations in Vienna.

The eccelerated timetable put forward by Mr Bush – an agreement within six months to a year and implementation of the cuts in 1992 or 1993 – may well be over-optimistic, as several Nato partners, including Mrs Margaret Thatcher, have intimated. But it is likely to be nearer the mark than Mr Gorbachev's much more conservative target date of 1997.

Healing a rift

Mr Bush's proposals have presented the Soviet Union with a real challenge. They have also contributed to healing, at least for the moment, the rift which had appeared between some of Nato's principal members over the future of short range nuclear forces (SNF) in Europe.

By setting an early deadline for the conclusion of an agreement on conventional forces, and by tabling imaginative proposals facilitating such an accord, Mr Bush managed to take some of the sting out of the nuclear missiles debate. One of the reasons why the US and Britain have opposed SNF negotiations is because they consider these missiles an essential counterweight to the Warsaw Pact's dominance in the conventional field.

Once there was a real prospect of an early agreement on the latter, it was much easier for the US and Britain to contemplate negotiations on tactical nuclear weapons. The compromise eventually reached establishes a linkage between the implementation of conventional arms cuts and a possible decision by the US to open negotiations with the Soviet Union on the reduction of short range nuclear missiles.

Strict conditions

Britain was forced to drop its opposition to any negotiations at all with the Soviet Union in this field, as demanded by Bonn. The Germans, on the other hand, have had to accept strict conditions on which these negotiations could be held, as well as explicit language ruling out a so-called "third zero" – the total elimination of short range nuclear weapons. Negotiations on SNF can proceed, according to the text of Nato's new "comprehensive concept", with the aim only of achieving a partial reduction of American and Soviet missiles. The word partial is underlined.

That formulation has particularly pleased Mrs Thatcher, who has always warned her partners against the dangers of a denuclearised Europe. Though the Germans can still argue that the phraseology does not rule out a third zero for all time, the final text falls well short of the stand that Mr Hans-Dietrich Genscher, the West German Foreign Minister, would have liked Nato to take.

However, by forcing the Alliance to re-examine its political and military strategy, the West German Government has been instrumental in persuading President Bush, and Nato as a whole, to adopt a more positive and imaginative response towards Mr Gorbachev's initiatives.

Nato still faces potentially divisive decisions in 1992 on the modernisation of its Lance short range nuclear weapon, which are likely once again to pit Bonn against Washington and London. However, for the moment at least, it is in much better shape than it has been for a long time to bring the conventional arms talks in Vienna and the forthcoming strategic nuclear arms talks to a successful conclusion.

Capture of a regulator

IF A UK housebuyer takes out a £50,000 endowment mortgage, his bank or building society can make £1,300 commission (with £750 paid immediately) for spending about 20 minutes selling him the attached insurance policy and doing the paperwork.

To pay for commissions of this magnitude, an average of about £200 is removed from every £1,000 of premiums paid by the investor in a life insurance or pensions policy.

Such large payments are the direct result of the half-hearted moves by the new investor protection agency, the Securities and Investments Board, to curb the long-standing abuses of the life insurance industry and its salesmen.

For decades, the commissions paid on the average life policy have been rising slowly to a level far higher than that on any other mass retail product or service. But over the last month many insurance companies have boosted by a further 30 per cent or 40 per cent their commissions to any "independent" brokers willing to recommend them. The companies offering such inducements include not only small new entrants and foreigners, who always used to be dismissed as rogues by the large insurance companies, but even such pillars of the establishment as Scottish Amicable, Eagle Star and Scottish Mutual.

Cosy agreement

The development was prompted by the decision last year by Lord Young, the Trade and Industry Secretary, under pressure from the Office of Fair Trading and the European Commission, to pull the rug from under a cosy agreement between the insurance companies and the regulators. This freed brokers from having to tell the customers how much commission they were earning, provided they accepted an industry-wide maximum.

The SIB could have responded to Lord Young's decision by insisting on disclosure of commissions – and expenses – in the simple form outlined above. So many customers might then have queried the large figures, or have been put off altogether, that effective competitive disciplines on costs could have been restored.

But instead the SIB will require insurance companies to express commissions only in the form of a complicated list of percentages, even though a survey conducted last year for the SIB showed that customers find it easier to understand a cash figure than percentages. Even worse, no disclosure will be required at the point of sale but only in the middle of a long letter sent up to two weeks later. Theoretically the customer can then cancel his policy at this point, but the insurance industry is well aware of the power of inertia selling.

Market disciplines

The SIB's only justification for this retreat is that it feared many independent brokers, to avoid disclosure of their remuneration, would become salesmen tied to a single company. But, as the OFT and several MPs have argued, the best way of holding down the payments to salesmen and overall insurance company salling costs would be to restore market disciplines by requiring them to disclose their total charges – in pounds.

For three years the SIB dithered, claiming such an approach would be technically difficult. Last week it said it would require partial disclosure, but only by showing a reduction in the investment returns customers can expect. To quote a stark figure in pounds and out of context, the SIB says, would be to give charges undue emphasis.

But insurance salesmen will take as long as they need to put the charges figure "in context". The SIB has no need to do their job by adopting for itself the old salesman's adage that, if the customer asks about the cost, tell him only in the context of the benefits.

The capture of the SIB by the insurance industry is even less excusable when compared with the tough stance on price disclosure taken by most of the other new regulatory bodies such as Oftel. The only way to tackle the problem of rising insurance commissions and charges is by ensuring that customers understand exactly how much is being taken out of their investments, in the simplest and most transparent form.

Peter Riddell examines US attitudes towards the increasing economic power and influence of Japan

Signs of strain in the Pacific friendship

The Bush Administration's decision to name certain Japanese trading practices as "priorities" for special negotiation and possible retaliation says as much about US feelings of economic vulnerability as it does about the commercial behaviour of Japan.

The US is going through a period of agonised debate about its closest ally in the Pacific. There is a mixture of frustration, anger, envy, fear, and even xenophobia in views expressed by prominent politicians about the trading success and financial power of Japan.

The immediate cause has been the persistently high US trade deficit with Japan, the wave of large-scale Japanese investments in the US (though smaller overall than purchases by Britain and the Netherlands), and a growing concern over the Japanese edge in several vital areas of advanced technology. Opinion polls have shown that about half American voters consider Japan'a economic strength a greater threat to US security than Soviet military power.

At its most basic this has been reflected in the wave of "Japan-bashing" in Congress leading up to the latest decision on trade practices under the Super 301 provision of last years's Omnibus Trade Act, and in the debates over the collaborative development and production of the FSX fighter for the Japanese air force. With characteristic lack of subtlety, Republican Senator Jesse Helms recalled Pearl Harbour, saying that the Japanese have "skinned us many a time. They skinned us real bad in December 1941 and they are skinning us with the FSX."

In less extreme terms, considerable suspicion has been expressed by many mainstream members of Congress about Japan and its commercial intentions. Japan is seen as trading unfairly and, in the words of Senator Lloyd Bentsen, the Democratic chairman of the Senate Finance Committee: "Japan means to dominate any sector that is in the high end of the economy." Such is the feeling of unease that 72 senators (out of 100) voted for restrictions on an already renegotiated FSX deal to ensure that Japan does not gain an unfair technological advantage.

Yet the current debate goes beyond trade questions to broader issues of how the US – now a prominent debtor – comes to terms with the financial strength of Japan, the world's largest creditor nation. This has implications not just for issues such as banking, overseas investment, foreign aid and Third World debt, but also for the political question of the balance of international responsibilities. In this respect the uneasiness of US/Japanese relations is part of the general adjustment the US is having to make to a less dominant world position.

Ironically, at the very moment that President George Bush is looking beyond the doctrine of containment which has ruled US policy towards the Soviet Union for the past 40 years, the same approach is being suggested in relation to Japan. A large literature has appeared on the "Japan problem." In particular, there was widespread interest in the US recently in a book and series of articles by James Fallows. He argued that "there is a basic conflict between Japanese and American interests – notwithstanding that the two countries need each other as friends – and it would be better to face it directly than to pretend that it doesn't exist. That conflict arises from Japan's inability or unwillingness to restrain the one-sided and destructive expansion of its economic power."

Similarly, in the March/April issue of Harvard Business Review, R. Taggart Murphy, a Tokyo-based US banker, argued that "Japan lacks the ideology and political commitment necessary to fulfil the obligations that go with financial power. To turn sheer financial strength into leadership, a country must be able to think in global terms, to view itself as a world central banker, to sacrifice certain short-term gains to maintain stable financial and trading systems. Japan does not have this world view. It holds the rest of the world at arm's length, and that separateness prevents Japan from assuming some of the important mandates of world financial leadership."

Much of the discussion in the US is more sympathetic – and there are many friends of Japan in Washington, even though they may generally be less vocal than its critics. Several studies by members of the foreign policy establishment have appeared in the last three or four months urging a broader view of the US/Japan relationship. Former Secretaries of State Henry Kissinger and Cyrus Vance have argued, in an article in Foreign Affairs, that with Japan as one of the major powers of the 21st century "the issue is how to deal with the consequences of interdependency, not how to reverse the relationship."

Similarly, a joint US/Japanese group including Mr Paul Volcker, the former chairman of the Federal Reserve, and Mr Yoshio Okawara, former Japanese ambassador to the US,

Half America's voters consider Japan's economic strength a greater threat than Soviet military power

last month called for a new co-operative relationship embodying "a more equitable sharing of policy-making responsibilities and the financial and political costs associated with international leadership."

So far the Administration has not offered a clear lead. At one level Mr Bush is keen to demonstrate his support for close ties, as when he welcomed Mr Noboru Takeshita, the Japanese Prime Minister, to Washington in early February as his first prominent foreign guest as President. This emphasis on Japan as "a valued ally and fellow democracy" was underlined when Mr Bush visited Tokyo for the funeral of Emperor Hirohito. The message then was that Japan matters to the US and that Washington looks to a greater contribution from Tokyo to both Pacific and global problems.

However, that was immediately followed by the lengthy row in Washington over the FSX fighter project. President Bush allowed some members of his Cabinet to insist on the renegotiation of what was supposed to be a prime example of collaboration. Senior Japanese officials argued publicly in the US that they were not being treated like close allies.

In so far as there is a coherent US approach it turns on the concept of burden-sharing – an acceptance by the US that it can no longer take the sole responsibility for international economic problems. This has been graphically illustrated by the revised debt strategy – the proposals made on March 10 by Mr Nicholas Brady, the US Treasury Secretary, for reducing the borrowing of tha most indebted countries, particularly in Latin America.

It was appropriate that, owing to an accident of international time zones, the Japanese welcome came two hours before Mr Brady's speech, since Japanese support was crucial to the credibility of the plan from its inception. Indeed, a senior Treasury official later conceded that the US was not in a position "to put up additional funds as the Japanese intend to do." The US may have regretted that the \$4.5bn of new Japanese support for debtor countries would be through its Export-Import Bank – and hence an indirect boost to its exporters. But the US had to be grateful for whatever money was available, particularly as West Germany, the other main creditor nation, was unwilling to help.

Yet there has often been ambiguity in the US position – a willingness to accept Japanese money, but a reluctance to give Japan more power. The significance of the Brady initiative is that, implicitly, there is now an acceptance by the US that Japan should have a greater say in the International Monetary Fund. The US will still have the leading role, with the largest shareholding, but Japan will move from its present fifth largest share to second, ahead of Britain, West Germany and France. This should be agreed by the end of this year, though some senior officials in the IMF and World Bank still see Japan as reluctant to lead and looking to follow the consensus.

The same view of burden-sharing has been pursued over official assistance – where Japan is now the world's largest donor – and over defence. For instance, Japan has been encouraged by the US to be more involved in supporting the Philippines. On defence, there is again ambiguity – an acceptance that any Japanese military role should be limited and defensive combined with pressure for increased spending. This is already higher in absolute terms than European countries, but low relative to gross domestic product.

The trickiest issue remains trade. Many in Congress believe that Japan is acting unfairly, not only by denying access to its domestic market for US goods and services but also by seeking to target and dominate particular sectors. The FSX row reflects the fear that Japan – having achieved dominance first in consumer electronics and, increasingly, in capital goods – now intends to focus its efforts on the civil aviation industry. Thus it would challenge the US in one of the few sectors where it retains a technological and marketing lead.

It is argued that bilateral action, with the threat of retaliation, is necessary. Mrs Carla Hills, the US Trade Representative, and Mr Robert Mosbacher, the Commerce Secretary, have to some extent embraced this view. Mr Mosbacher, with strong congressional support, believes there has to be a planned response to the Japanese industrial challenge. While the term "industrial policy" is anathema in the Administration, something very similar is being floated with talk of industry-led, business-government partnerships, notably the development of high definition television, which the proponents claim will dampen protectionism.

Although the protectionist, anti-Japanese lobby has recently been the most vocal in Washington, there is also a strong free trade group led by Mr Michael Boskin, chairman of the President's Council of Economic Advisers, and Mr Richard Darman, the Budget director. They argue that only a small part, possibly less than a fifth, of the US trade deficit with Japan can be blamed on unfair trade practices. The rest is the result both of US macroeconomic policy, particularly the low level of savings and the high budget deficit, and of long-term structural weaknesses in the US, notably its inadequate level of skills and weak education system. They note that Japan's present concentration on production benefits US consumers at the expense of Japanese ones. In this respect, it is somewhat ironic that the US is seeking discussions on structural barriers in Japan. To the free traders, protectionist threats bring the risk of a trade war which will harm everyone.

President Bush is in the middle of this debate. By instinct a free trader, he also stresses fair trade and is susceptible to arguments about bilateral agreements not being honoured, as with Japan over semiconductors and telecommunications equipment. The latest announcement reflects these pressures, with the free trade group on the defensive. It was intended to satisfy the demand from Congress for strong, or at least strong-sounding, action against Japan, and has been welcomed by leading senators. The Administration hopes that its decision will not trigger immediate action from Japan. In practice, it is the least that the Administration could get away with in domestic political terms.

An evident concern both of Mr Bush and of the State Department has been to avoid alienating Japan – to warn, yet not to antagonise, especially given the uncertain state of Japanese domestic politics. A senior US official conceded that relations with Japan are less robustly based than those with Europe. While the US and Europe frequently have arguments, these do not jeopardise the underlying friendship because the ties are too strong. That is not yet the case with Japan.

The US's financial position and its international economic influence are increasingly dependent on Japanese support. Yet the political relationship has not yet adjusted accordingly. In American eyes Japan is still reluctant to assume a leading role to match its financial power. But the US itself has only partially accepted the implications of sharing its responsibilities.

US trade balance with Japan

US$ million	1982	1984	1986	1988
All trade	-16,778	-33,560	-55,029	-35,160
Machinery incl. electrical goods & electronics	-10,447	-20,916	-29,102	-32,157
Road vehicles	-13,959	-18,557	-31,962	-28,256
Food & live animals	+3,614	+4,249	+3,630	+6,389
Iron & steel	-3,816	-3,403	-2,410	-2,532
Precision & photographic equipment	-1,045	-1,784	-2,434	-2,240

Ins and outs of the City

■ The trouble with Who's Who, estimable publication though it is, is that it tends to retain the old English prejudice against trade. Whenever you want to look up someone in industry or commerce, the chances are that they will not be listed.

Who's Who in the City, the second edition of which is published today, ought to help to fill the gap, and to some extent it does. Certainly the number of entrants is rising: from around 7,000 last year to 8,000 this time. There is also a good deal of mobility. About 20 per cent of those listed in the first edition a year ago have since changed their posts.

As Margaret Reid notes in her introduction, the City – including the "out of London" – continues to grow. Just over a decade ago, banking finance and insurance accounted for around 1.6m jobs. By the end of last year the figure had risen to 2.5m – more than 11 per cent of the working population.

Employment in the City proper is now put at several hundred thousand: more than 70,000 of them are in the foreign banking community, representing some 500 groups between them. Among the Who's Who in the City entrants, overseas nationals have gone up from 9.7 per cent to 12 per cent of the total. The biggest rise is among the Americans – up almost double to 3.7 per cent. The Japanese do not yet match them in numbers, but Japanese banks now account for almost one quarter of all bank assets, sterling and foreign currency, in the UK.

What then of personalities? K. C. Whu, now the senior deputy manager of the Bank of China, is probably the longest serving banker in Britain, having been here since 1944: recreations, tennis, reading, travel.

Maurice Saatchi gets in, but his brother Charles does not. (Even Who's Who proper manages to include them both.) There is no Alan Sugar, chairman of Amstrad, perhaps because that does not quite count as City.

It is also clear that some entrants must have been included without having filled in the entry form. (Who's Who would not do that.) Thus one rather well-known figure is listed simply: Steffens, Guenter Z; General Manager, Dresdner Bank AG.

The favourite recreation is golf, listed by 1,275 entrants, followed by gardening (668) and skiing (458). Hunting is favoured by only 54. Anthony Simon Smith, managing director of White Foster Sheldon Daly & Co Ltd, educated at Eton and Harvard, lists gardening, collecting horseshoes and breeding worms.

Over one quarter of the entrants were at either Oxford or Cambridge. Eton is far and away the most frequent school: nearly 6 per cent, against 2 per cent for Winchester. Brooks's is the most popular club, though closely followed by the RAC. There are only 27 references to Annabel's. Charles James Hue-Williams of Kleinwort Benson Securities may have set a record by listing 12 clubs, nearly all of them cricket. His recreations are golf, cricket, rackets, lawn tennis and real tennis.

The number of women entrants has almost doubled since last year, but is still less than 200. Nearly 400 entrants have written books, and 112 are former civil servants.

Among other extraneous items, I was interested to learn that the middle name of one of my colleagues is Enoch and that another – who seems to work very hard – lists his recreations as theatre, politics, cycling and Victorian history.

Who's Who in the City is published by London & International Publishers Ltd, 49 St James's Street, London SW1, and costs £99.

OBSERVER

Prohibition

■ Two hundred years after the Parisians tore down the Bastille, their descendants are to be stripped, in the name of the Revolution, of two of their most cherished rights: driving as they please, and parking where they please.

In fact, the measures announced by Pierre Verbrugghe, prefect of the Paris police, in preparation for the Bicentennial celebrations on July 14, come close to a state of martial law.

From July 10 to 17, parking will be banned outright in a vast area of central Paris, stretching from Porte Maillot to the Louvre, and from the River Seine to the Boulevard Haussmann. This is expected to drive 9,000 cars beyond the city walls to temporary parks in the Bois de Boulogne.

Traffic will be forbidden in a smaller area for the same period, and throughout the no-parking zone on July 14 itself. More than 20,000 policemen and 10,000 firemen will be there to enforce the restrictions – which are likely to infuriate a population already thoroughly fed up with the Bicentenary – as well as to protect the heads of state who will be in Paris for the summit of the Group of Seven industrial nations, and for a parallel meeting of leaders of the Third World.

After this assault on Liberty, Fraternity, too, is to be discouraged, or at least not artificially stimulated: all sales of alcohol will be banned on July 14 along the length of the Champs Elysées.

Taxi rules

■ London taxi-drivers are increasingly developing a habit of driving without their taxi light on, even when ready to pick up passengers. At first I thought that it was simply because they did not wish to be stopped while going home and indeed gave up hailing them. But it turns out there is a quite different reason. A taxi stopped to pick me up the other day even when I had not requested it. The driver explained that he and his colleagues are becoming more discriminating. There is plenty of demand for them, especially in these days of Underground strikes and heavy tourism. So the drivers decide to pick up whom they choose, and ignore the rest. This particular driver said that they make a guess about the sort of place a passenger might be going to, and usually get it right. That is the basis for picking people up or not. There is nothing to prevent this form of discrimination.

Moral: hail taxis even when their lights are out. Also, perhaps we need more taxis.

On the scent

■ Among readers' requests handed in at a Hampshire public library last week was one for a copy of The Perfumed Guardian.

Lord Benson criticises the proposed legal reforms in England and Wales

Architect of the proposals: Lord Mackay of Clashfern, the Lord Chancellor

The character of a profession

Some years ago a much respected head of the Civil Service told me that he had watched many Governments come and go, and had discovered that they were defeated, not by the Opposition, but by their friends. The infighting and backbiting which always goes on in politics, and the formulation of inconsistent and ill-considered measures based on political dogma as opposed to common sense, were the cause of their downfall. The green papers on the legal profession which have been published under the authority of the Lord Chancellor in the guise of "papers for discussion" appear to announce Government policy, and are a typical example of measures which antagonise the Government's best friends.

The inconsistency of the new policy is plain. In 1983, four years after the publication of the report of the Royal Commission on Legal Services, the Government published its reaction, which in general supported the Commission's recommendations. Now, six years later, the same Government has virtually reversed the policy on all the important issues.

The political dogma on which the green paper is placed is free competition, the widest choice of services for the consumer, and the abolition of restrictive practices. These are laudable objectives, hut if followed blindly, without regard to the facts of the situation and to common sense, they will undermine some of the principles on which justice has hitherto been based in this country.

In seeking to impose the dogma, the green papers fail to take into account that strong competition already exists in the provision of legal services for the public; that there is already a wide choice of services for the consumer, particularly in the specialisms provided by the Bar; and that all professions need to be subject to certain restraints, not for the benefit of the members, but for the protection of the public they serve.

Five years ago my own profession of accountancy considered the principles on which a profession should be based and the obligations the members owed to the public. They are nine in number, and are as applicable to the legal profession as they are to my own. In the accounting profession they are being partially eroded by directives from Brussels, but there is no call to allow these *dirigiste* policies to damage other professions in this country. The nine principles are set out below, and I explain in respect of each of them how the green papers propose arrangements which either disregard, or make impossible of fulfilment, most of them.

"First, the profession must be controlled by a governing body, which in professional matters directs the behaviour of its members. The members, for their part, and this is sometimes forgotten, have a responsibility to subordinate their selfish private interest in favour of support for the governing body."

The governing body envisaged in the green papers comprises dedicated members of the profession who devote a large part of their lives, without remuneration, to the continuing task of raising standards, tightening disciplines, and guiding the professional performance and behaviour of its members so that they may serve the public properly. The green papers have abandoned this principle from the outset. In effect, the conduct of the legal profession is to be taken out of the hands of the existing governing bodies of the Bar and the Law Society. It will vest in a quango of part-timers (the majority of whom must not be members of the legal profession), who will advise on "legal education and conduct" and report to the Lord Chancellor, who, with his civil servants, will make the final decisions.

"Second, the governing body must set adequate standards of education as a condition of entry, and thereafter ensure that students obtain an acceptable standard of professional competence. Training and education do not stop on qualification, but must continue throughout the member's professional life."

This responsibility will be removed from the existing governing bodies. The education and training of lawyers at the academic, vocational and post-vocational stages, and even the specialisms to be developed, will be decided by the Lord Chancellor on the advice of the quango.

"Third, the governing body must set the ethical rules and professional standards which are to be observed by the members. This should be higher than those which can be established by the general law."

By virtue of the green papers, codes of conduct and the standards of conduct expected of practitioners will be settled by the Lord Chancellor, after advice by the quango. They cannot be higher than is required by the general law, because the Lord Chancellor will settle them by statutory instrument.

"Fourth, the rules and standards enforced by the governing body must be designed for the benefit of the public, and not for the private advantage of the members."

No one knows what the part-time advisory quango will devise for the consideration of the Lord Chancellor. Its constitution suggests that it will not have the knowledge, experience or competence to carry out this task.

"Fifth, the governing body must take disciplinary action, including, if necessary, expulsion from membership, if the rules and standards it lays down are not observed or a member is guilty of bad professional work."

Disciplinary action appears to be left with the numerous professional bodies which will be brought into existence. The fitness of the governing bodies to exercise their functions will, however, be decided by the Lord Chancellor and the quango.

"Sixth, some types of work should be preserved to the profession by statute, not because it is for the advantage of the members, but because, for the protection of the public, it should be carried out only by persons with the requisite training, standards and disciplines."

In the legal profession the sort of work which is envisaged by the above principle is rights of audience before the courts. The issue of advocacy certificates will in future be in the hands of "a variety of professional bodies," whose fitness for the task has to be approved by the Lord Chancellor and the quango.

"Seventh, the governing body must satisfy itself that there is fair and open competition in the practice of the profession, so that the public is not at risk of being exploited. It follows that members in practice must give information to the public obout their experience, competence, capacity to do the work and the fees payable."

These obligations will, in effect, be virtually removed from the existing governing bodies and taken over by the Lord Chancellor on advice by tbe quango. The Government has a mental blockage in believing that competition does not exist in the legal profession. There is strong competition hetween barristers and between the different firms of solicitors. There are about 5,900 practising barristers and between 8,000 and 9,000 solicitors firms, operating from over 11,000 offices; the public has a free and unrestricted choice as to whom to employ.

"Eighth, the members of the profession, whether in practice or employment, must be independent in thought and outlook. They must be willing to speak their minds without fear or favour. They must not allow themselves to be put under the control or dominance of any person or organisation which could impair this independence."

Independence is tbe most precious privilege and obligation of a professional person, and the one most highly prized by responsible citizens who seek advice from lawyers. Independence, in the above sense, will be abolished, because, in fact, all members of the profession will be under the dominance of the Lord Chancellor as advised hy the quango.

"Ninth, in its particular field of learning the profession must give leadership to the public it serves."

The leadership now passes to the Lord Chancellor, his civil servants and the quango. The past record of the Lord Chancellor's Department gives little cause for optimism.

It is common ground that the legal profession needs changes to bring it fully up to date. As the green papers acknowledge, these are taking place, but the pace has hitherto been slow. The green papers, however, virtually dismantle the legal profession, without consultation or the necessary research, or the benefit of practical experience. There is no ground, except unsupported assertion, for believing that legal services will in future be provided better, or as well as they would be by the legal profession in its present form with the changes which were already in prospect.

The author was formerly President of the Institute of Chartered Accountants in England and Wales (1966-67) and Chairman of the Royal Commission on Legal Services (1976-79).

A monopoly with an expiry date

Raymond Snoddy reports on Reed International's purchase of the TV Times listings magazine

The long battle to break one of Britain's more lucrative publishing monopolies – the exclusive rights of the BBC and ITV over tbeir programme schedules – has entered its final pbase.

Reed International, the publishing and information group, announced it had reached agreement to buy Independent Television Publicationa, the company that publishes TV Times, the commercial television listings magazine, in a deal worth £113m in cash plus a pre-sale dividend of £10m.

If the agreement is approved next week by 75 per cent of the ITV companies that now own ITP it will be the first time in the UK that a non-broadcaster has controlled the publishing of television listings. The sale comes as the European commission and the Home Office are both examining the listings monopoly.

The change of ownership at TV Times and the new Broadcasting Act will together reignite the debate, says Mr Tony Elliott, publisher of the magazine Time Out. He has been campaigning against the monopoly since 1982, and would like to open his own comprehensive listings magazine as soon as it is legal to do so. "It's got to be different now. Why on earth should a publisher trade unfairly for an unspecified period of time with public information?" asks Mr Elliott.

The uncertainty over the listings monopoly was one of the reasons wby the ITV companies, whose main preoccupation now is surviving a process of competitive tender to retain their franchises through the 1990s, decided to take the money and run.

That uncertainty is reflected in the price Reed was prepared to pay for a business expected to have net profits of £24.1m in the year to July. In addition to the cash price, Reed will pay an additional £2m a quarter for every quarter that the monopoly survives over ths next three and a half years.

"It's a reasonable price for a deregulated title, and a bargain price for a temporary situation," says Mr Nigel Stapleton, Reed's finance director. His best guess is that the "temporary" monopoly position will survive for between one and two years.

Until the monopoly is finally cast aside, or more probably until the BBC and ITP are required to license their schedules to other publishers, Reed will be able to offer more than 9m readers a week the only full advance listings of botb ITV and Channel 4 programme schedules. (Newspapers can carry listings 24 hours in advance on weekdays and 48 hours at the weekend.)

Reed confirmed yesterday that it had managed to tie Channel 4 into the deal. Mr Michael Grade, chief executive of Channel 4 had warned that he might take his listings elsewhere wben the Channel 4 contract with ITP expires at the end of this year. Instead, Reed and TV Times will have an exclusive arrangement with Channel 4 – at least as long as such exclusivity is legal.

The real question now is how long a life there will be for the peculiar British anomaly that viewers have to buy two magazines, and with the advent of cahle and satellite television at least three, to be able to plan their viewing in advance.

The question is how long a life there will be for the peculiar British anomaly that viewers have to buy two TV magazines

In countries as diverse as France, Finland, Switzerland, Sweden and the US, programme schedules are provided to competing pnblishers free of charge. According to opponents of the UK listings monopoly, Belgium has no fewer than 32 listings magazines. In West Germany, a country with 24m bouseholds (compared witb 21m in the UK), there are nine competing listings magazines and four television supplements distributed free with newspapers.

The listings monopoly was nearly overturned in 1985 wben tbe Monopolies and Mergers Commission investigated it. At the time senior BBC executives were braced to lose. The commission's report found that both the BBC and ITP were engaging in an anti-competitive process but decided on the casting vote of the chairman Sir Godfray Le Quesne that this was not operating against the puhlic interest. The fear was that no-one else would provide the same detail on regional programmes or radio.

Since then, the tide has started to run much more strongly against the monopoly. In Ireland, the BBC, ITP and RTE, the Irish broadcaster, are awaiting the outcome of their appeal against a ruling that withholding their schedules from Magill magazine was an abuse of their powers.

In December 1988 the European Commission decided that tbe times and titles of programmes "sbould he in the public domain."

There will now be a full hearing of the issue before the European Court of Justice, which is likely to start in something between 12 months and two years. A further attack on the monopoly is also likely to come from the UK Government. Home Office officials have been asked to look into how it could be done.

"The political will is there – the problem is the means," says one official. The problem is that last year, the overhaul of Britain's copyright law strengthened the concept of intellectual property and with it the position of the broadcasters.

Once the monopoly goes, the market will be flooded with competitors, including newspaper supplements and rival magazines. Mr Rupert Murdoch, for example, would like to turn TV Guide, his new general interest television magazine in the UK, into a full listings magazine after the fashion of its US namesake.

But these would-be competitors may bave to be patient. Though ministers appear determined to stamp out another small monopoly, tbey could well decide to leave the issue to Brussels rather than changing UK law first. If that is so, Reed will have got a bargain in TV Times.

LETTERS

Delays at court

From Mr Richard Wright

In March 1981 Mr A.H. Hermann, your legal correspondent, published an article entitled "A red light for English Courts." It concentrated on the poor administration of the court system and it drew from Lord Hailsham, the then Lord Chancellor, a stinging rebuke.

In answer to Mr Hermann's view that the legal aid system was only available to the very poor, the rebuke contained the remarkable statement that the system "covered abont three quarters of the population."

On the same day as you published Lord Hailsham's letter you published a letter from me headed "Overhaul the legal system." I remain convinced that the delay and expense of civil litigation in England and Wales is not primarily because of the legal profession hut rather the lack of facilities and manpower in the administration of the court system itself.

I called for the Lord Chancellor's Department to be examined. In the House of Lords it is, in effect, cocooned; the House of Commons seems unable to discover much about the working of the department.

The practices of the Bar, and of solicitors, can be improved, but the primary reasons for delay are:

- Inadequate numbers of judges;
- Inadequate court facilities;
- Inadequate numbers of court staff;
- Unreasonably complicated court procedures.

What is not generally known is that over these items neither the Bar nor the Law Society has any control. They are all the responsibility, in one degree or another, of the Lord Chancellor and the judiciary.

In 1981 I asked for the immediate introdnction of modern technology, including computers. So far as I know, in relation to the administration of cases themselves (other than the accounting function and a small system which deals with the Court of Appeal) there has been little introduction of such technology. There has been talk for years about computerising county court proceedings – but it is only talk.

Modern technology would enabla both the High Court and the county court to ensure that cases progress speedily, or at least withont undue delay. Although existing legal technology could easily provide this, the Lord Chancellor's department has failed to take advantage of it.

The truth is that the administration of justice in the UK is no further forward than in the 1960s. The last 25 years have heen extraordinarily disappointing. While the Bar and the Law Society may not have moved as far as many would have liked, they have moved. It is difficult to see that the Lord Chancellor's department has done anything but tinker with inadeqnate, out of data machinery.

I hope that before he retires Mr Hermann will let ns have the benefit of an update of the views he so eloqnently and accurately expressed in 1981. Perhaps the public might then come to the conclusion that before trying to remove the motes from others' eyes, the Lord Chancellor would be better engaged in removing the beam from his own.

R.W. Wright,
William Prior,
Temple Bar House,
Fleet Street, EC4

Interpreting Brunei

From The High Commissioner of Brunei Darussalam.

Sir, The review of Lord Chalfont'a book, By God's Will, (May 11) contains surprising comments. Whether or not Lord Chalfont claims much credit for his research, I assure you that it was thorough and comprehensive.

It took place over a period of more than a year in my country and elsewhere, and it included several interviews with His Majesty The Sultan – a privilsge accorded to no other author.

Your reviewer's gratuitous jibe regarding his own interview with His Majesty deliberately distorts a joke made by the Sultan abont tha list of more than 30 questions which had been submitted by Mr Mathews. Furthermore, His Majesty was extending to Mr Mathews the conrtesy of conducting the interview in English, without interpretation from and into his own language.

Penigran Haji Jaya,
49 Cromwell Road, SW7

'Eurocracy' can be checked

From Mr Simon Allison

Mrs Thatcher's objection to tha European Commission's proposals for the Lingua programme, and for standard health warnings on cigarette packets, reveals the contradictory nature of her position on Europe. On the one hand she supports the concept of 1992. On the other, she rejects any moves towards a regulated federal system.

Yet 1992 implies a "level playing field." This demands snpra-national hodies to enforce it; and this, in practice, means the European Commission and the European Court. In many areas (such as, for example, merger policy) these bodies already hold sway over both tha 12 national parliaments of the EC member states, and their European counterpart.

With tha Single European Act now in place, such Eurocracy can only be checked by giving real powers to the European Parliament and establishing, eventually, a federal constitution which determines what type of decisions are taken at the centre, and which are left to national governments.

Simon Allison,
The European Movement,
Whitehall Place, SW1

Europe's civil servants

From Sir Robin Williams.

Sir, Your leading article "Britain's role in Europe" (May 17) observes that the European Commission employs a much smaller staff than most UK government departments.

In asserting this you overlook the fact that most staff who operate the European Community system are on the national payrolls of member countries. For example, the staffs of the customs service in all 12 member countries are exclusively employed in working for the EC because customs duties are treated as "own resources" of the Community, and are paid into its central fund, not into national exchequers.

Similarly, the staffs of the intervention boards for agricultural produce, who store the "food mountains," are exclusively engaged in operating the common agricultural policy. Britain had no intervention board for agricultural produce before EC membership.

Thus if all these staffs in the member countries are added in – as they should be – the true numbers of staff working for the EC are large indeed.

Robin Williams,
British Anti-Common Market Campaign,
c/o *81 Ashmole Street, SW8*

Jams made in London

From Mr P.J. Bull.

Sir, Your leader, "The cost of a journey" (May 8), and suggested charge for driving in London based on distance travelled, time of use, and so on, is wide of the mark. And Mr Andrew Tylecote, of Sheffield's School of Management and Economic Studies (Letters, May 11), has clearly not understood that the problem is more one of impediments to traffic flow than traffic volume.

Delays are attributable to a variaty of culprita. A few recent examples are:

- Building construction on both sides of Trafalgar Square, in St Martin'e Lane and on Hyde Park Corner (construction vehicles hold up traffic);
- Digging up streets (Bond Street now, Chelsea Embankment and Warwick Way last year), allowed to take months instead of weeks;
- Sightseeing coaches and ice-cream vans permitted to park in Trafalgar Square and Parliament Square (why?);
- Coaches dawdling around the sights of London;
- Conversion of stretches of the Embankment into parking lots for tourist coaches, causing through traffic delays when the coaches move in or out of the bays;
- Delivery vans and illegal parkers allowed to get away with it "for a minute or two."

These are all symptoms of maladministration. No single London authority has over-riding responsibility for ensuring that priority is given to the flow of traffic.

Why clobber, with additional taxation, the driver not parking illegally nor causing inconvenience to others? Electronic road pricing would not tackle the causes. It would simply divert attention from the real problem.

P.J. Bull,
38 Radnor Walk, SW3

FINANCIAL TIMES
Wednesday May 31 1989

Arrests heighten tension as Peking protest goes on

By Robert Thomson and Peter Ellingsen in Peking

THOUSANDS of Peking residents gathered in Tiananmen Square last night to condemn the earlier arrests of three men who had formed an independent workers' union.

The arrests of the three, two of them railway employees, could herald a broader crackdown against dissent. The men were taken to a police station near the square, which was soon surrounded by a large and angry crowd of protesters.

The arrests followed the detention of 11 motorcyclists who were part of a band called the "flying tigers brigade" which has kept students aware of troop movements around the city. The bikers, mostly young entrepreneurs, have been accused of attempting to organise a strike among steelworkers, threatening police and stealing petrol.

Last night, the square was crowded with curious workers who had heard about the "goddess of democracy" statue erected by the students despite harsh warnings on national television that the building of the monument was an unpatriotic act.

Xinhua, the official news agency, carried a demand that the statue be removed and said that its presence was "an insult to the national dignity and image." Loudspeakers in the square broadcast messages from the Peking Government characterising the statue as anti-Chinese and pro-American. The students have threatened to concrete it in place.

The Communist Party infighting, meanwhile, remained unresolved yesterday, indicating that Deng and his associates are having difficulty convincing at least a few senior officials of the need for a purge.

Zhao Ziyang, the party general-secretary, Qin Jiwei, the Defence Minister, and several other leaders are expected to lose their jobs in coming days for having conspired against Deng and for having allowed the spread of bourgeois ideas.

Officials with links to a welfare fund run by Deng's disabled son, Deng Pufang, have been negotiating with the students and claim to have the implicit support of the paramount leader in offering a package of compromises in exchange for an end to the protests.

The students had planned to leave the square yesterday, but many demonstrators decided to stay on until the National People's Congress, China's parliament, meets on June 20. Discussion of political reform is to be on the Congress's agenda.

Deng, aside from his problems with the party, is also concerned about his influence in the Congress, which is chaired by Wan Li, a reformer who has expressed his support for Li Peng and the introduction of martial law. Li is, however, widely considered to be waiting for the right moment to move against the present conservative leadership.

Reaching for reform: Students yesterday erect a "goddess of democracy," modelled on the US Statue of Liberty

Indian paper fights corruption

David Housego on a folk hero whose principles are not for sale

"ONE OF THE first things I do each morning", says a senior Indian civil servant, "is read the Indian Express."

For both the opponents of Prime Minister Mr Rajiv Gandhi's Government and those who stand to lose by the paper's disclosures of corruption and influence-mongering in high places, the Indian Express has become an increasingly important landmark of political life in India.

During the session of parliament just ended, the Express provided the Opposition with the material for three of the main issues on which it challenged the Government. The Express:

- Leaked the contents of the confidential Thakkar report into the circumstances of former Prime Minister Mrs Indira Gandhi's assassination – thus revealing that Mr Gandhi had appointed as his close adviser a man whom the government-appointed commission alleged was implicated in the conspiracy to murder his mother;
- Disclosed that Mr Balram Jhakar, Speaker of the Lok Sabha (lower house), had been assisting an American businessman to promote a machine for manufacturing fodder from dry seed on which Rs35m ($2.1m) of customs duty had not been paid; and
- Published a draft text of the Panchayat Raj Bill which proposed more village-level decentralisation before it had reached parliament – thus putting pressure on the Government to modify clauses which seemed to reduce the power of the state legislatures.

The paper has also just made damaging disclosures on the alleged suppression of a parliamentary committee report on the purchase of German submarines.

The Express is owned by Mr Ramnath Goenka, 87, who defied Mrs Gandhi's Emergency in the 1970s and likes nothing more than a stand-up fight with government. But the recent revelations have been master-minded by Mr Arun Shourie, whom Mr Goenka had sacked but brought back in 1987.

Mr Shourie is a moralist with what in Europe would seem an almost Biblical mission to root out corruption and wrong-doing in Indian public life. Self-righteous, iconoclastic, often shrill and verbose – his articles can run to several thousand words – he can also be funny and irreverent.

After the Speaker's involvement in the promotion of fodder machines had emerged, Mr Shourie ridiculed him in an article that quoted speech after speech of Mr Jhakar's in defence of "the primacy of moral values and ethical conduct in our public life". He ended the article by urging people: "Each time the Jakhars mouth humbug say 'Fodder.'"

Quietly spoken and intense, he has worked for the World Bank and written books on religion. He is not popular with other journalists. Many in and out of government see him as obsessive in his attacks on Mr Gandhi and his administration. He says his task is "to help people see the face of our rulers – their competence, their cleverness, their incompetence and humbling around."

The Express, more than any other newspaper, gets its succession of leaks because it is seen as willing to stand up against injustice and corruption. In this way Mr Shourie has become something of a folk hero who is accosted wherever he goes. He believes that a far greater responsibility has devolved on the press because other institutions such as the judiciary or parliament have become weak-kneed.

But since only a parliamentary opposition can legally bring down a government, he blames them for failing to exploit their opportunities. He thinks their divisions and the ineffectiveness of their leadership could have "irretrievably harmed their chances" of winning the next election.

The Express has already come to feel the impact of the growing perception that the opposition could lose. Until recently, magistrates and officials discreetly circumvented some of the legal and tax cases the Government brought against the paper.

The Express has had to pay heavily for its opposition. Loans from the state-owned banking sector have stopped. For years it has had no advertising from the Government or public sector corporations. It faces 220 charges from different government departments.

Most recently, Mr Shourie says, it faces income tax demands involving Rs100m. In India, those facing income tax charges have to pay first and appeal afterwards.

The paper survives on rental income from its properties. Readership, which in Delhi grew by 30 per cent in 1987 when the scandal over the Swedish arms group Bofors and other scandals were in the news, has flattened out.

Mr Shourie clearly believes he has plenty of ammunition tucked away and ready to fire before the election. But if the Prime Minister should come back with the majority he has now, then "in three weeks he will finish us."

A damaging parliamentary report into alleged irregularities over the purchase of West German submarines for the Indian Navy is likely to provide fresh ammunition to opponents of Mr Rajiv Gandhi, India's Prime Minister, writes K K Sharma from New Delhi.

Mr Ghandi has faced persistent attacks during the last three years over allegations concerning pay-offs in defence deals to friends and associates.

According to weekend editions of the Express and the Statesman newspapers, the report by Parliament's Public Accounts Committee was suppressed.

The unpublished report said that the recommendations of the Ministry of Defence and the Indian Cabinet to buy four West German submarines for about Rs6bn ($360m) in preference to a Swedish offer were based on considerations "other than technical and financial," according to the newspaper. It reported that the choice was prompted by an "outrageous mistake in financial evaluation against the interest of the country."

Tbilisi riot measures split Soviet parliament

By Quentin Peel in Moscow

BITTER DEBATE over the use of soldiers against unarmed demonstrators in Tbilisi, Georgia, last month, which led to 20 deaths, yesterday split the new Soviet super parliament.

Colonel-General Igor Rodionov, commander of the Transcaucasian military district, charged that the situation in the Soviet Union today was worse than in 1937 – at the height of Stalin's bloody purges of political opponents.

He delivered a furious defence of the use of troops to break up a nationalist demonstration in the Georgian capital, in an emotional, televised debate which split the new Congress of People Deputies, the countries supreme parliament, down the middle.

At the same time Mr Dzhumber Patiashvili, leader of the Georgian Communist Party at the time of the tragedy, claimed that the dscision to use the troops had been taken in Moscow and accused Mr Viktor Chebrikov, former head of the KGB, and General Dmitri Yazov, Defence Minister, of being involved.

While accepting responsibility for the tragedy, he also attacked the army commander for failing to admit that his troops used sharpened shovels and toxic gases on the demonstrators.

Earlier, General Rodionov was accused of launching a punitive operation against peaceful demonstrators, deliberately designed to teach them a lesson.

Professor Thomas Gamkrelidze, head of a Georgian inquiry into the tragedy, said the troops commanded by General Rodionov had used "sharpened shovels, truncheons and toxic gases" in the attack.

"These troops are regarded by the people as professional murderers," he said, to repeated applause from one half of the Congress. The military operation was "conceived not with the aim of dispersing a peaceful demonstration, but as a punitive operation to destroy innocent people."

Fourteen of the 16 who died on the night of the demonstration were women.

General Rodionov's response amounted to little short of an outright attack on Mr Mikhail Gorhachev's perestroika, and the upsurge in nationalism and open press reporting to which it has given rise.

He blamed the entire Georgian demonstration, and its tragic outcome, on incitement and provocation by extremists. It was "anti-Soviet, anti-Socialist and anti-Russian." He quoted slogans saying: "Let us put an end to Russian Communism, to Russian imperialism."

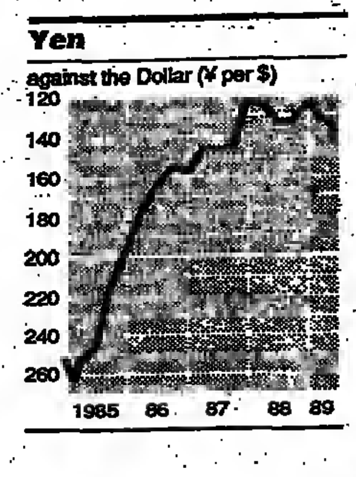
THE LEX COLUMN

A strange calm in equities

The Japanese did their bit to give the interest rate merry-go-round another whirl yesterday, and the West Germans are overdue for a move. It is looking increasingly likely that Britain will have to jump its turn and have another go at raising base rates if the pound keeps on behaving like it did yesterday. The failure of the steady rise in global interest rates to halt the dollar's surge is of obvious concern to the world's central bankers, but the equity markets remain remarkably unconcerned. Several European stock markets are at or around their all-time highs, the West German market is at a 1989 peak and the UK market has held up surprisingly well so far.

If global interest rates continue to rise unchecked, the chances of the world economy slipping into a deep and painful recession increase. But for the moment, these risks are more than outweighed by the belief that the US authorities will ease their monetary policy rather than let the economy go into a steep decline. Equity markets are looking through the current economic slowdown, into a period when inflation is subdued and corporate profit growth is once again on a rising trend. This optimism may prove well founded eventually, but the longer the dollar's rise continues the greater the risks.

The UK economy is more vulnerable than most. Last week's defensive rise in UK interest rates was an embarrassing failure, and the result is that the UK authorities now face a serious policy dilemma. To re-establish the credibility of their anti-inflationary policies, some serious shock treatment is needed. This is unlikely to be palatable either to the UK equity market, or to their political supporters.



Gateway

It rather looks as if the increased offer for Gateway will do the trick. In its raid on the market yesterday, Isosceles claims to have achieved its £100m spending target in just 12 minutes; and even Mr Garry Weston, it appears, sees the new offer as a material improvement. Indeed, though the increase from 195p to 210p does no more than make up for the rise in the food retailing sector since the first offer was made, it is in one respect rather generous. Those who want to take the extra in the form of shares could end up controlling over half the new company, while still pocketing the original 195p.

It therefore seems that the only hope for a higher price lies with Mr Monk. Doubtless, he will have been busy on alternatives, but he only has about five weeks left. In fact, the market has never had much faith in a rival offer, whether inspired by Mr Monk or not. The whole Gateway situation has become very messy, and anyone else getting involved would have to be either from outside the UK, or outside the retailing sector. It is asking a good deal.

Reed International

It is a little unfortunate that Reed's latest deal should be so hard to value, given that its shares have underperformed the market by 28 per cent in the past 10 months. The TV Times programme monopoly is likely to be outlawed some time between now and 1992, when the present TV contractors' franchises expire. The deal therefore falls into two phases: Reed is paying maybe six times earnings for the first couple of years or so, then taking a punt on what happens under deregulation.

It can be assumed that Mr Murdoch, already involved in UK TV listings, will step up the competition in an open market. But Reed is paying for advance expertise, and can point to the example of West Germany, where four or five big publications are claimed to make a decent living. As market leader with 3m circulation, TV Times should be difficult to dislodge; and though Reed is new to the market, it claims to have spent two years researching it, with a view to launching its own product after deregulation. In any case, this kind of thing lies so clearly within IPC's range of competence that it deserves the benefit of the doubt. It is merely a pity that it will take the market so long to see the proof.

Sedgwick

Sedgwick's financial performance over the last few years has been so disappointing that the stock market cannot make up its mind whether the company should be regarded as an interesting recovery stock, or an obvious takeovsr target. Judging by yesterday's rise in its share price on news that the standstill agreement with its biggest shareholder – Transamerica Corporation – was being terminated, the takeover story still carries considerable sway, even if it is almost certainly overdone.

Although Transamerica would be free to bid early next year, there are several reasons why it is an unlikely suitor. Sedgwick is already valued at close to 20 times prospective earnings, and the goodwill Transamerica would have to absorb would play havoc with its balance sheet ratios. Sedgwick's new management team is beginning to get to grips with the group's expense problems, and provided the insurance cycle begins to improve, it should be able to earn £200m plus in a couple of years. However, the takeover possibilities will re-emerge if Sedgwick fails to perform, or if Transamerica itself become a takeover target.

Biotechnology

The move by two big Japanese companies into Bio-Isolates completes a familiar cycle among biotechnology stocks. First the flotation, complete with wild optimism about the time and resources needed: then the surge and collapse of the share price: then the arrival of the big corporations actually equipped to take the technology forward. Bio-Isolates was never a true biotechnology stock at all, but in the hi-tech investment atmosphere of 1982 that was a mere quibble. Floated at 33p, the shares went to 426p, and by the first rights issue in 1985 were back to 33p again. The story has parallels in other markets. Even the most commercially successful of the biotechnology companies, Genentech of the US, has fallen far short of its initial promise. Doubtless, the cycle is past its trough: but it may be asked whether biotechnology will ever be a serious target for portfolio investment again.

£ comes under new pressure

Continued from Page 1

at Y142.745. The Dow Jones Industrial Average closed 18.22 down at 2,475.55.

The predicted rise in Japan's discount rate from 2.5 per cent to 3.25 per cent and a bout of intervention by the Bank of Japan had already been well discounted.

In New York, trading was very active in the dollar with two different views in the market producing heavy volume.

Some dealers have become more cautious in the wake of the Japanese discount rate rise because of widespread speculation that the US Federal Reserve may be considering a complimentary easing in US interest rates.

Others remain bullish about the dollar, partly because they believe the economy is still robust outside a few isolated sectors and that any easing in interest rates will be minor given concern among Fed officials about inflation.

US says stand on unfair trade could expand world markets

By Peter Norman in Paris

THE US decision to name Japan, Brazil and India as unfair trading partners could be seen as a way of opening markets and expanding world trade, said Mrs Carla Hills, the US special trade representative yesterday.

At a press conference in Paris, she said that US use of the so-called Super 301 provisions of last year's Trade Act would benefit other countries besides the US and was therefore supportive of the multilateral trading system.

She said that the priority for the US was to bring the Uruguay Round of trade liberalisation talks to a successful conclusion by the deadline of December 1990. The US wanted to expand coverage of the General Agreement on Tariffs and Trade (Gatt) to prepare it for the 21st century by adding services, intellectual property, agriculture and international investment to its present areas of responsibility.

Mrs Hills, a top Washington lawyer before joining the Bush Administration, showed her legal training to advantage in her robust defence of the US decision to implement the Super 301 provisions against selected trading partners.

She countered suggestions that the Act's prescription of bilateral talks with, and eventual US retaliation against, supposedly unfair trading partners would undermine the multilateral trading system enshrined in the Gatt.

She said that other countries had benefited from earlier US bilateral trade talks with Japan. Australia, for example, was profiting from the US success of opening up the Japanese market for beef, while Italy was "very much enjoying" the results of the US opening of the Japanese market for citrus products.

The Super 301 decisions were to be seen as a move, using the leverage of the large US open domestic market, to expand the multilateral trading system, she said.

It is unlikely that US trading partners will take such a benign view of Washington's moves in the two day annual ministerial conference of the Organisation for Economic Co-operation and Development which opens in Paris today.

It is uncertain whether Japan, which is the only named "unfair trader" in the OECD, will consent to bilateral talks with the US on the issues raised by last week's decision.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	20	68	Dubrovnik	S	21	70	Malta	C	23	73	Rhodes	S	23	73
Algiers	F	27	81	Edinburgh	C	11	52	Manchester	F	12	54	Rio de J'o	C	23	74
Amsterdam	F	12	54	Faro	F	21	70	Manila	C	35	95	Rome	F	22	72
Athens	S	23	73	Florence	S	25	77	Melbourne	R	13	55	Salzburg	F	21	70
Bahrain	S	33	91	Frankfurt	F	21	70	Mexico City	F	29	84	San Francisco	F	9	48
Bangkok	F	34	93	Funchal	C	21	70	Miami	R	24	75	Seoul	S	23	73
Barcelona	C	20	68	Geneva	F	24	75	Milan	F	23	73	Singapore		–	–
Beirut		–	–	Gibraltar	F	19	66	Montreal	R	15	59	Stockholm	F	15	59
Belfast	F	10	50	Glasgow	F	11	52	Moscow	F	24	75	Strasbourg	T	17	63
Belgrade	S	24	75	Guernsey	S	14	57	Munich	F	20	68	Sydney	C	17	63
Berlin	S	20	68	Helsinki	S	15	59	Nairobi		–	–	Taipei	R	25	77
Biarritz	R	18	64	H. Kong	C	25	77	Naples	F	25	76	Tangier	C	19	66
Bombay	F	33	91	Innsbruck	C	19	66	Nassau	F	30	87	Tel Aviv	S	26	79
Bordeaux	F	25	77	Inverness	R	7	45	New Delhi	C	37	99	Tenerife	S	26	79
Brussels	F	19	67	Islamabad		–	–	New York	S	18	64	Tokyo	T	20	68
Budapest	S	23	73	Istanbul	S	19	66	Nice	F	21	F	Toronto	41	105	59
B. Aires	F	18	64	Jakarta	R	32	90	Nicosia	S	34	75	Tunis	F	21	70
Cairo	S	31	88	Jersey	S	15	59	Oporto	C	19	66	Valencia	C	19	66
Cape Town	F	16	61	Jo'burg	S	17	63	Oslo	F	15	59	Venice	S	23	73
Caracas	R	27	81	Lima	C	19	66	Paris	F	23	73	Vienna	F	22	72
Casablanca	F	23	73	Lisbon	F	19	66	Peking	S	30	86	Warsaw	F	24	75
Chicago	C	21	70	London	F	13	55	Prague	S	20	68	Washington	F	19	66
Cologne	F	22	72	Los Angeles	F	15	59	Reykjavik	Dr	7	45	Zurich	S	16	61
Copenhagen	S	13	55	Luxembourg	F	21	70								
Corfu	S	24	75	Madrid	F	18	64								
Dallas		–	–	Majorca	Dr	20	68								
Dublin	S	11	52	Malaga	F	23	73								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

Nato short-range weapons compromise

Continued from Page 1

sets out its future policy framework for arms control.

Nato leaders also adopted as alliance policy the proposal put forward by Mr Bush for the Vienna talks. These envisage a 20 per cent cut in US troops in Europe and bigger Soviet reductions in Eastern Europe to match a new US level of 275,000. They also signal Nato's agreement to extend the scope of the talks to combat aircraft and helicopters, aiming at totals 15 per cent below current Nato levels.

Mr Bush's hope for an agreement in six months to one year was described by Mrs Thatcher, however, as "very optimistic." Mr. Shevardnadze, in Paris for a human rights conference, called the proposal for speeding up the Vienna talks an "an attractive idea" though he too questioned its feasibility.

Both Mrs Thatcher and President François Mitterrand of France also insisted that reductions in aircraft should not touch upon their countries' nuclear air-strike capability. Mr Mitterrand said, however, thet this did not stop him from agreeing to the US arms control proposals.

Nato's Comprehensive Concept sets out aims for East-West relations, security and arms control. It reaffirms principles set out for the alliance in the 1967 Harmel Report.

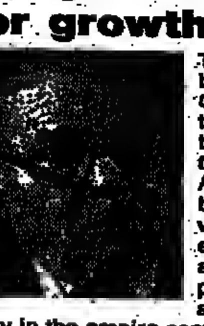
In their declaration at the end of the summit, Nato leaders made a strong statement on the role of the alliance.

"We want to overcome the painful division of Europe which we have never accepted," they said.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday May 31 1989

INSIDE

Juicy fruit ripe for growth



The failure of Minorco's bid for Consolidated Gold Fields has turned the City's attention towards other plums in the portfolio of Anglo American's Luxembourg-based investment vehicle. One of the juiciest is Johnson Matthey, a strategic part of the platinum network operated by the master company in the empire controlled by Mr Harry Oppenheimer (above). Kenneth Gooding reports on tha group which, having recovered from the collapse of its banking subsidiary in 1985, is preparing for further growth. Page 31

Smaller fry take the limelight

Sharp movements in soma of the world's smaller markets dominated the global equity scene for a second week as Mexico continued its rise and Hong Kong plummeted: Performance was far more muted in the leading markets of the US and Japan, so that the FT-Actuaries World Index ended almost unchanged, with a loss of just 0.1 per cent. Alison Maitland reports. Page 46

Fiat launches buyback plan

Fiat, the Italian motor group, yesterday unveiled record profits and announced plans to spend up to L1,000bn ($689m) buying in its own shares. The buyback plan comes 32 months after Fiat arranged for a consortium of banks to acquire two-thirds of a $3.1bn block of Fiat equity that was sold by the Libyan Arab Foreign Investment Company. This share sala, which left many underwriters with large blocks of unsold Fiat stock, has for the past two years kept the company's shares at an unrealistically depressed level, despite strong earnings. Page 22

Danish farmers feel the pinch

Even the biggest, most efficient Danish farms have seen their profitability drastically reduced over the last four to five years as European Community policies heva pushed down the prices of many crops by 25 per cent. In his Farmer's Viewpoint, David Richardson examines how the country's farmers are coping. Page 34

Recovering from pitfalls

A few years ago flexible manufacturing systems were regarded as the only answer to small-batch production. But attempts were made to jump too many technological hurdles at once and the acronym FMS started to be associated with expensive disasters. Today the idea may not be as trendy as it was, but it is alive and producing good results for many manufacturing companies. Page 33

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Volkswagen	398.5	+	12.7
Thyssen	256	+	7
Viag	321.7	+	8.7
Conti Gummi	273.3	+	7.1
Allianz	1748	+	43

Falls

NEW YORK ($)

Rises			
Kinder-Care	8¼	+	⅛
NWA	107¼	+	1⅜
Sun Micro	22¼	+	1⅛
Texaco	51⅝	+	⅝
Falls			
Dunkin' Donuts	35	−	2⅞
Pan Am	4¾	−	⅛

PARIS (FFr)

Rises			
Dassault (A)	715	+	56
Raffinage	150	+	8.4
Bouygues	674	+	34.7
Falls			
Sida Ross	1249	−	82.2
BIS	480	−	27.4
Leroy Somer	1415	−	66.6

TOKYO (Yen)

Rises			
Ishii Prec Tool	1260	+	200
Aichi Sharyo	2300	+	200
Yuasa Stoji	1120	+	120
Falls			
Nisshin Kisen	1820	−	190
Yokkaio Mfg	1800	−	110
Mitsubishi Van	1250	−	80

New York prices at 12.30.

LONDON (Pence)

Rises			
BAT Inds	586	+	8
Bio-Isolates	53	+	16
Cook (Wm)	297	+	30
Eurotunnel Uts	1149	+	72
Gateway	204	+	7
Kleen-E-Ze	228	+	53
Reuters	825	+	15
Sedgwick	265	+	5
Falls			
Acatos & Hutch	200	−	15
Anglia Sec Hms	245	−	31
Arlington Sec	224	−	9
Barclays	447	−	6
Brit Aerospace	868	−	14
Burton	217	−	10
European Home	169	−	33
Grand Met	539	−	13
Magnet	280	−	17
Midland	335	−	19
Ward White	302	−	7

EC objects to Van Nelle deal with Douwe Egberts

By William Dawkins in Brussels

THE EUROPEAN Commission has issued a formal objection under EC competition rules to the Fl 390m ($110m) takeover by Douwe Egberts, the food and household products group, of Van Nelle, the company's main rival in the Benelux market for ground coffee.

The Brussels authorities can force Douwe Egberts, owned by the US foods group Sara Lee Corporation, to abandon or make big changes to the merger if Douwe Egberts, based in The Netherlands, fails to disprove their suspicions.

Sir Leon Brittan, Commissioner for competition policy, has written to Douwe Egberts warning that he believes the deal amounts to an abuse of a dominant market position, outlawed by Article 86 of the EC Treaty. The takeover was completed in February.

Donwa Egberts has two months to respond, said Commission officials. Brussels has never tried fully to unscramble a completed takeover, though last year it did block an anti-competitive consortium bid for Irish Distillers, the drinks group, and demand substantial changes in the British Airways takeover of British Caledonian.

Sir Leon Brittan: warning

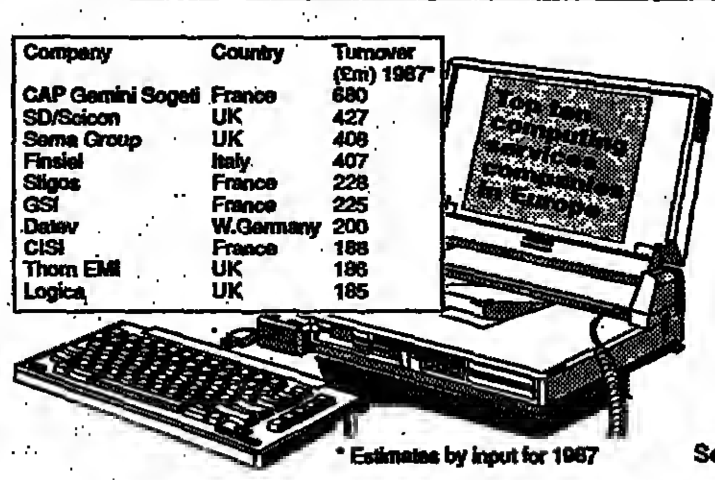
Douwe Egberts' sales of Fl 4.6bn in the year to last June gave it a 60 per cent share of ground coffee consumptiou in The Netherlands, Belgium and Luxembourg. Rotterdam-based Van Nelle, with its Fl 700m sales, adds another 8 per cent to the enlarged group's share of tbe Benelux coffee market.

Coffee only represents 17 per cent of Van Nelle's sales. The rest are in tea and tobacco products. The combined company is expected to have a turnover of about Fl 7bn this year, estimates Douwe Egberts.

The pair are most dominant at the quality end of the ground coffee market. Most of the competition comes from brands marketed by supermarkets and chain stores under their own names. "We are not satisfied that you would have free competition where 68 per cent of the market is taken by two brands," said a Commission official.

A Douwe Egberts official pointed out the Commission had no objection to the merger of the companies' other activities. The group was studying the Commission's objections and had no further comment at present, he said.

Company	Country	Turnover (£m) 1987*
CAP Gemini Sogeti	France	680
SD/Scicon	UK	427
Sema Group	UK	408
Finsiel	Italy	407
Sligos	France	228
GSI	France	225
Datev	W.Germany	200
CISI	France	188
Thorn EMI	UK	186
Logica	UK	185



* Estimates by input for 1987

Serge Kampf

Hard heads conquer the software jungle

Alan Cane examines CAP Gemini Sogeti's rapid growth in the computing services industry

HOW LONG can CAP Gemini Sogeti (CGS), the French-based group which now leads the European computing services industry, keep to its steady upwards track?

Indefinitely, according to Mr Serge Kampf, the company's cool and supremely self-assured executive chairman. "The sky," he told journalists at the company's annual press conference in Paris recently, "is the limit." More realistically, perhaps, Mr Kampf says that given that the computing services market-place is doubling in volume every four years, CGS is "perfectly structured to grow at least four times as large as it is today."

CGS's figures bear out his optimism. This month it has reported revenues of FFr5.8bn ($850m) for 1988, an increase of 39.3 per cent over the figure for 1987. Even stripping out the contribution of Sesa, another French computing services company which CGS took over in 1987, growth was 23.7 per cent.

Net profit was FFr402m, a 43.6 per cent increase on the previous year and 6.9 per cent of revenue, a record for the group. The company claimed, furthermore, that its internal growth in each of its three main markets — France, the rest of Europe and the US — was considerably greater than that of the local market.

Last week it said that its revenue for the first quarter was FFr1.57bn, 19 per cent more than in the equivalent period last year, and in line with predictions of total revenues for the year of FFr7bn with profitability to match. Mr Jerry Jerram, finance director of the UK company SD-Scicon, CGS's closest European competitor, comments: "CGS is showing well-controlled, low-risk expansion in an expanding market."

So why does CGS perform so consistently well compared with other software groups? It had a good start in life through powerful government patronage, but over the years it has developed a formula for success unusual in the software business (which, observers note, is often equated with anarchy). Its features include:

- An excellent capital structure which enables the management to control the company with long-term support from a number of French banks.
- A clear and aggressive business focus which puts strong financial and social pressure on its managers to perform. If they fail to meet their agreed targets, they are in trouble.
- An inviolate decentralisation policy which lays down that when any of its branches — currently 250 — reaches 150 staff, it splits into two and a new manager is appointed to head the nascent branch. More recently, it has adopted a combinatiou of powerful organic growth coupled with an aggressive acquisition policy which saw four European companies — Data Logic of Sweden, Hiekkamaki of Finland and AD&D and Sofcou of Denmark — added to the group in 1988 alone. With revenues approaching $1bn, it is now able to challenge the large US computing services companies like Electronic Data Systems (EDS), a subsidiary of General Motors, or management consultancies like Andersen Consulting.

There are substantial advantages in size and market leadership, says Mr Christer Ugander, chairman and chief executive officer of CAP Gemini Europe, which, like CAP Sesa and CAP Gemini America, is one of the three operational groups in the company.

He points out, for example: "These days we have requests to make proposals for contracts before we have even decided whether to bid for them. Increasingly we are featuring on the list of contractors that major customers draw up before they go out to tender."

The turning point for CGS seems to have been the acquisition of Sesa, a distinguished French software house with a broader corporate culture than the narrowly based CGS with its origins in "body shopping", hiring out computer specialists on a daily basis to work on customers' contracts.

Now the aim is to become a full-scale "systems integrator", taking overall responsibility for drawing together the best hardware and software to solve the customer's problem.

The big question is whether CGS's hard-driving, decentralised style of management will work es well in the quite different world of systems integration. Systems integration has become a key to the effective installation of complex and sophisticated computer systems.

Mr Michel Jalabert, vice-president for development and control, says: "Do not look for any other reason for the continued growth of the computer services sector than the need to make computer systems work," and emphasises the company's breadth of expertise in information technology.

Mr Ugander worries that the company now has to work on developments which will ensure "that we live up to what is expected of us".

One sign of this is the decision to establish a management training school, the "CGS University" as Mr Ugander describes it. A chateau some 30 kilometres from the centre of Paris has been purchased and is in the process of couversion. It will be used to train staff in both computer technology — a duty neglected by many computing services companies — and management skills.

Mr Kampf argues that CGS's management philosophy is the key to the group's success, although others suggest his extensive contacts and political skills are at least as important.

CGS has not had automatic success in its chosen markets. In the past few years, the UK, Germany and Italy have been black spots on CGS's world map; areas where despite strong local markets, CGS had failed to make the expected impression.

The acquisition of Sesa, and therefore its German and Italian subsidiaries, has helped to turn business around in those countries. In Italy, for example, the company bas secured a lucrative contract for the modernisation of the state railways' information systems.

The UK, however, remains a source of grief. CGS (UK) is tiny and looks like remaining so. At one stage last year, the group's chief trouble-shooter, Mr Paul Hofman, was sent in to build foundations for change. In the past few weeks it has appointed a new managing director, Mr John Marsh, formerly with ICL, Harris Corporation and Control Data, to turn the company round.

Mr Ugander admits that the CGS senior management cannot explain why the company has been so unsuccessful in the UK compared with the rest of Europe. But it helps to explain the company's chagrin when one of the UK's leading computing services companies, CAP Group, which used to be associated with CAP Sogeti in the 1970s, decided to merge with Sema Metra, one of CGS's major rivals in France.

Its response was to buy just over 22 per cent of the shares of CAP Group on the eve of the merger, the board of directors dismissing the controversy generated with impeccable logic. "This investment would not have been possible if CAP UK had not left such a large percentage of its capital stock at the disposal of whoever might like to acquire it," said CGS.

Despite the disappointment and the furore, the two companies still work together — in a large European project to create a "software factory", for example.

Isosceles raises offer for Gateway

By Nikki Tait in London

THE BID battle over Gateway, Britain's third largest food retail group, intensified significantly yesterday as the bidder, the newly-formed Isosceles company, raised its terms and made its first market purchases since the tussle began. It is believed to have snapped up about five per cent of its target's shares.

However, the revised terms brought an immediate rejection from Gateway. Associated British Foods, by far the largest Gateway shareholder with 15 per cent, described the terms as "a much better offer," but said it would wait to see what Gateway came up with.

The new, increased offer — which has been declared final unless a competitive situation emerges — gives sbareholders the chance to retain an equity involvement with Isosceles. This is in contrast to the earlier offer which took the form of cash only, with a partial loan note alternative.

The bidder is raising its cash terms from 195p-a-share to 210p, which values Gateway at £1.87bu compared with £1.73bn previously. The partial loan note alternative remains. The Gateway share price rose from 197p to 204p last night.

But Isosceles is also adding an alternative offer of £390 in cash and one Isosceles unit for every 200 Gateway shares.

Each of the units will comprise three ordinary shares and nine cumulative redeemable preference shares in Isosceles. Panmure Gordon, Isosceles' brokers, have valued each Isosceles unit at not less than £30, or 15p per Gateway share.

Each Isosceles unit is expected to have an initial gross dividend yield of 6.3 per cent. If all existing Gateway shareholders were to take up the cash and paper option, and after allowing for the dilution involved in full exercise of the Isosceles warrants which attach to another part of the financing, they would have 52 per cent of Isosceles.

This figure, however, does not allow for dilution from the exercise of any share options which the bidder plans to offer to Gateway staff.

Maximum dilution from this would leave existing shareholders with slightly under half the Isosceles equity. Full details of the Isosceles capital structure will be set out in the formal offer document.

The bidder made clear yesterday that, in order to fund the increased offer, it will only increase the debt involved in the bid from £1.76bn to £1.9bn.

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Arnault's LVMH stake sequestered

By George Graham in Paria

THE PARIS commercial court yesterday ordered the sequestration of part of the controlling stake in drinks and luxury goods group LVMH held by the company's chairman, Mr Bernard Arnault, in partnership with the UK drinks group Guinness.

But the ruling left unclear the balance of power in the long-running battle for control of the group, with both sides claiming the judgment strengthened their hand.

The court asked Mr Regis Rousselle, the chairman of the French stock exchange, to sequester an issne of LVMH bonds with warrants, along with the shares resulting from exercise of these warrants.

The freeze on the shares is temporary, pending final judgment by the same court on the validity of tbe controversial bonds with warrants, which were placed by Lazard Fréres, the Paris merchant bank, in 1987.

The contested warrants and shares make up around 11.4 per cent of LVMH's fully-diluted equity. The Arnault camp holds in total 46.5 per ceut of the group's capital and 35 per cent of its voting rights.

The decision appeared to be a setback to Mr Arnault in his battle with Mr Henry Racamier, chairman of Louis Vuitton, the luggage company which merged with champagne and cognac producer Moët Hennessy in 1987 to form LVMH.

The two men have been at odds since Mr Arnault won control of LVMH and took over its chairmanship in January. The sequestration would increase the share of LVMH's voting rights held by Mr Racamier and the Vuitton clan to 30 per cent.

An LVMH official said, however, that the group was satisfied with the decision, in part because it maintains the date of its shareholders' meeting unchanged on June 9.

Mr Arnault plans no controversial motions at this meeting, and his advisers note thet yesterday's judgment allows the voting rights on the sequestered shares to be used in the case of a challenge to his management.

They believe, too, that the judgment leaves them free to act at the subsequent shareholders meeting of Louis Vuitton, ou June 13, at whicb Mr Arnault is expected to use LVMH's voting control to try to oust Mr Racamier.

Mr Racamier is now trying to put the Vuitton meeting off for as long as possible. It can be delayed to June 30 by decision of the board, which be controls, but a further delay would be juridically difficult.

Vuittou officials uoted, bowever, that the judgment called for no irreversible decisions to be taken on the management of the group.

TV Times publisher to be bought by Reed

By Raymond Snoddy in London

REED Iuternational, the publishing and information group, is to buy Independent Television Publications, which publishes TV Times, the commercial television listings magazine, for an initial £113m ($179.7m) in cash.

In addition, Reed, Britain's largest magazine publisher, will pay the ITV companies that own ITP £2m for every quarter that the exclusive television listings monopoly survives during the next three and a half years. The existing owners will also receive a special £10m dividend to be paid by ITP from its retained profits ahead of the sale.

Reed's main challenger for ITP was a management buy-out team led by Mr Don Cruickshank, former chief executive of the Virgin Group. It is believed the buy-out team came close to matching the Reed price, although its proposal would have involved the ITV companies retaining a stake.

The Reed acquisition is subject to approval by ITV companies representing 75 per cent or more of total net advertising revenues.

The deal will be the biggest consumer magazine acquisitiou Reed bas made. Apart from TV Times, ITP publishes Look In, a children's TV guide, and Chat, a women's magazine.

The ITV companies put ITP up for sale in January, partly because of uncertainty about how long the listings monopoly would last and partly because of their own uncertain future. The Government wants to see the new commercial broadcasting licences, due to run from the beginning of 1993, awarded by competitive tender.

TV Times is projected to earn net profits of £24.1m for the year ending July 1989, compared with £18.9m in the previous year.

The ITV companies will divide the proceeds of the sale according to their three-year average proportiou of net advertising revenues.

Monopoly with an expiry date, Page 19; Lex, Page 20

Fiat races to peak profit, plans to buy back shares

By Alan Friedman in Milan

FIAT, the Italian motor group, yesterday unveiled record profits and announced plans to spend up to L1,000bn ($689m) buying in its own shares.

The share buy-back plan comes 32 months after Fiat arranged for a consortium of banks to acquire two-thirds of a $3.1bn block of Fiat equity that was sold by the Libyan Arab Foreign Investment Company (Lafico).

This share sale, which left many underwriters with large blocks of unsold Fiat stock, has for the past two years kept Fiat shares at an unrealistically depressed level despite strong earnings.

Details of the buy-back plan will be revealed at Fiat's annual meeting next month. If it spends the full L1,000bn this would represent just over 5 per cent of group share capital, including ordinary, savings and preferred stock.

Ms Dagmar Bottenbruch, a London-based analyst of First Boston of the US yesterday welcomed the buy-back plan. She declared: "It was urgently and desperately needed that Fiat did something because the share price has not reflected the company's excellent operating performance."

For 1988, consolidated net profit increased by 27.5 per cent to L3,026bn ($2.08bn). Turnover showed an improvement of 15.3 per cent to L44,308bn. Net cash balance at the end of last year was L2,349bn. The number of employees totalled 277,353.

The car division claimed to have 14.9 per cent of the European market, meaning that Fiat was last year in a neck-and-neck race with Volkswagen for European leadership. Fiat Auto produced L2,136bn of operating profits last year, or 55.9 per cent of the group's L3,823bn of operating income, which was itself 23.2 per cent up on 1987's group total.

Fiat is proposing to pay a 1988 dividend of L320 per ordinary and non-voting preferred share, an increase of 18.5 per cent, and L350 per non-voting savings share, up 16.7 per cent on 1987.

Japanese invest in UK biotech company

By John Ridding in London

BIO-ISOLATES, a small British company which manufactures a high-protein food ingredient from cheese by-products, has turned to two Japanese groups for capital to fund future development.

Meiji Milk Products, one of Japan's three largest dairy product companies, and Mitsubishi Corporation, the trading house, are to take a joint 22 per cent stake in Bio-Isolates for about £2.3m ($3.7m). Mitsubishi will also provide a secured loan of £2.53m.

In return, Mitsubishi and Meiji Milk Products will be granted 10-year exclusive distribution rights for Bio-Isolates' products in Japan, the company's leading market.

Mr Derek Gleeson, Bio-Isolates general manager, said yesterday that the Japanese were the first to recognise the potential of Bipro, a protein-rich white powder derived from whey. This was developed in the late 1970s by two chemical engineers and is free of fat and cholesterol.

Japan accounts for about 40 per cent of Bio-Isolates' turnover, and sales in the country are expected to double this year. Bipro is mainly used in meat processing in Japan, unlike the US where it is used in frozen dairy desserts.

The deal is the latest move in Bio-Isolates' chequered history, during which the company has sought a series of new backers since its flotation on the unlisted securities market in 1982. According to the company, they received several approaches concerning the latest search for funds.

Since its flotation, Bio-Isolates has accumulated losses of £2.8m and the share price has been volatile, climbing from 50p to 425p in 1982-83, before a steady decline which took it to just 10p in 1986. Yesterday, the shares closed up 15p at 53p, compared to the 52p and 60p that the Japanese will pay in the two-stage deal.

There have also been many changes over the years in Bio-Isolates' management. This pattern continued yesterday with the resignation of Mr Alan Staple as chief executive.

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Banesto steers towards recovery

Peter Bruce previews the latest study of the troubled Spanish bank

Banco Espanol de Credito (Banesto), the Spanish bank which has been weighed down by heavy provisions, is now rapidly recovering, says a report to be published soon. The report predicts "a very important improvement" in Banesto's results next year.

The report, written by Research Associates, a group of independent Madrid analysts, is the first comprehensive study of Banesto's position since its controversial merger attempt with Banco Central failed in February this year.

It comes as Mr Mario Conde, Banesto's president, is finally winning his battle to bring new blood on to the board and to limit the power of older, more traditionalist members.

The study is the first positive assessment of Banesto's core banking activities since it was forced to make special provisions worth Pta65bn ($524.2m) in 1986 after the collapse of a Catalan affiliate, Banca Garriga Nogues. Since then, Banesto has been fiercely criticised for poor banking practices and for selling bank assets to industrial and financial affiliates to disguise losses.

But, says Research Associates, which has had direct access both to Banesto's accounts and the highly secretive Mr Conde, Banesto's banking cash-flow increased by 31 per cent last year to Pta99.6bn. If disposals are excluded, the increase was 33 per cent. Net interest income and commissions rose 5 per cent last year to Pta140bn.

Banesto has spent soma Pta220bn in provisions in the last three years to meet Bank of Spain liquidity requirements and to cover bad debts and losses. It still has to make about Pta2bn in provisions but the analysts feel the process is now all but complete.

Mr Conde wins praise from the report for deciding to build on Banesto's traditional strengths in banking – its network of more than 2,000 branches is the second biggest in the country – by staying close to retail customers and for not trying to follow other competitors into highly specialist products and services including merchant banking.

Although credit risks may be higher in retail banking, the report argues these are mitigated by the sheer number of Banesto's customers.

As part of the strengthening of the bank'e traditional business, Mr Conde is presently trying to regroup Banesto's industrial holdings under a new company and so remove them from its balance sheet. The bank wants to replace these with higher yielding credits and, at the same time, give a much truer picture of its own value.

Mario Conde: winning his boardroom battle

The report estimates that the capital gains generated by placing Banesto's huge industrial interests under a new holding company could be as much as Pta80bn, which the bank will make over to reserves.

The Government has the power to defer tax on 99 per cent of this but has so far proved reluctant to do so. Research Associates says that boardroom in-fighting and the messy failure of the merger with Banco Central has badly damaged Banesto's image in the local and international financial communities, but Mr Conde finally appears to be making real progress in cleaning up the bank's leadership as well as its accounts.

Next month shareholders will ba asked to approve changes to the bank's statutes, including limiting the age of directors to 70 and and of individual voting rights to 10 per cent of the bank's equity. Motions affecting banking business must also represent 10 per cent of equity when put, and the statutes will only be changeable with a two-thirds majority.

Mr Conde has, in the past few months, been feverishly directing shares into friendly hands – most recently the Asland cement group bought 2.5 per cent of the bank – and at least four new faces are likely to join the board in June. Some older members have either agreed to leave or are under pressure to do so. It looks as though Mr Conde's newly-formed board will control about 23 per cent of Banesto.

Suez earnings soar by 27%

By George Graham in Paris

COMPAGNIE Financière de Suez, the French banking and industrial conglomerate which last year took control of Société Générale de Belgique (SGB), yesterday reported a 27 per cent rise in net 1988 profits to FFr2.7bn ($401m), and forecast 1989 earnings up by at least a third to more than FFr3.6bn.

Mr Renaud de la Genière, Suez's chairman, said the estimate was very conservative and that prospects were extremely favourable.

"After the ploughing, it is now time for the harvest," he said.

Suez's group operating profits rose 23 per cent to FFr1.59bn, while capital operations produced earnings 32 per cent higher at FFr1.11bn, thanks partly to lower provisions on the group's securities portfolios.

Earnings per share are expected to grow more modestly to at least FFr37.3 from FFr35 last year, as the exercise of outstanding warrants is expected to increase the number of Suez shares in issue by 25 per cent to 96.6m.

Mr Patrick Ponsolle, s Suez managing director, said SGB would return to a profit of at least BFr17bn to BFr18bn in 1989, after losing BFr2.4bn ($57.8m) last year. He said seven troubled industrial subsidiaries, which had contributed BFr1.7bn of operating losses and BFr9.7bn of exceptional losses last year, would make a combined profit of BFr1bn in 1989, while exceptional earnings would generate at least BFr2bn to 3bn this year.

He said the contribution to Suez'e results, which had been a net deficit of FFr179m in 1988, would turn positive in 1989 to the tune of FFr1.14bn to FFr1.22bn.

Commerzbank expands in insurance

By Andrew Fisher in Frankfurt

COMMERZBANK, the West German commercial bank, plans to extend its activities further into the financial services area by increasing its sales co-operation with DBV + Partner Versicherungen, a nationally represented insurance company.

Commerzbank is to pay around DM150m ($75.4m) for a 50 per cent stake in a holding company in which DBV's private-sector life, property, and health insurance activities will be grouped.

This deal, announced by Mr Walter Seipp, the chairman, at the bank's annual meeting yesterday, follows its recent purchase of a 40 per cent shareholding in Leonberger Sparkasse, a leading mortgage, savings and loan company.

Mr Seipp said that DBV's parent, which is a public sector insurance concern for civil servants and private customers, would also be privatised by being first converted into a share company, with Commerzbank then placing the shares in the stock market.

Commerzbank's group partial operating profits rose by 3.4 per cent in the first four months compared with the same period of last year, with a near 11 per cent gain for the parent company.

On the more usual comparison with one-third of the previous year, however, they were down by 3.7 per cent and 4.8 per cent respectively.

For the whole of 1989 Mr Seipp expected another "satisfying" result.

Orkem and Enimont hold talks on asset swaps

By Alan Friedman in Milan and George Graham in Paris

ORKEM, the French state-owned chemicals company, is holding talks about a possible asset swap in the polyethylene sector with Enimont, the Italian chemicals concern which resulted from the recent merger of state-owned Enichem and of most of private sector Montedison's activities.

Mr Lorenzo Necci, chairman of Enimont, yesterday confirmed that "we are discussing various possible forms of collaboration, including an exchange of assets."

Mr Necci said any eventual agreement would not necessarily be modelled on the 1986 joint venture between Enichem and Britain's ICI in the poly-vinyl chloride (PVC) sector.

Orkem, meanwhile, confirmed that the talks with Enimont focused on the possible development of its site at Dunkirk, in northern France, built in 1974 in association with the emirate of Qatar, as well as on the possible exchange of some activities.

The Dunkirk plant, besides its main vapour cracker, includes low density radical and linear polyethylene lines.

Orkem, formerly the chemicals subsidiary of France's state coal mines, has been concentrating on its main plant of Carling St Avold in Lorraine, for which a FFr1.5bn ($223m) investment plan has been announced. Dunkirk has posed more of a problem, and Orkem has held talks with a number of other chemicals groups.

The Italian group has a capacity of around 1m tonnes a year of polyethylene, twice that of Orkem.

Brierley seeks tenders for 29.2% stake in Molins

By Ray Bashford in London

SIR Ron Brierley, the New Zealand businessman, is attempting to resolve his troubled five-year entanglement in Molins, the UK cigarette machinery maker, which escaped a bid by him in 1987.

IEP Securities, part of a group of companies headed by Sir Ron, yesterday announced that it was seeking tenders to purchase its 29.2 per cent stake in Molins and that if this failed it would launch a takeover bid for the company.

Mr Brierley'e vehicle also disclosed that it has increased its holding in Union Discount by 6 per cent to 23.6 per cent. The stake was acquired from the Kuwait Investment Office last Friday at 475p compared with yesterday's closing price of 490p.

Mr Graeme Gilchrist, Union Discount's managing director, said that the company was "trying to work out what the purchase means." He added that the company has a "strong interest" in remaining independent.

The Molins stake is being put up for tender at a minimum of 190p a share, compared with yesterday'e closing price of 200p – down 8p – which values the holding at £17.3m.

If the tender offer, which closes on June 13, fails to attact a buyer IEP is "ready to make an offer for Molins at a realistic price" which will be at least 190p a share.

Mr Michael Wright, Molins managing director, said that an offer of 190p would be strongly resisted because it would not reflect current or future trading prospects.

INTERNATIONAL COMPANIES AND FINANCE

Pan Am fixes NWA loan

By Roderick Oram in New York

PAN AM Corp, parent of struggling Pan American World Airways, has lined up a five-bank consortium led by Bankers Trust to provide a bridge loan for its bid for NWA, parent of Northwest Airlines.

Pan Am said it would submit its bid by the 4.00pm deadline yesterday afternoon, but would not disclose details. Wall Street was expecting a number of other bidders to join the auction initiated by tha $90 a share bid from Mr Marvin Davis, a Los Angeles investor.

NWA's stock rose a further $1⅛ to $107⅛ yesterday morning as analysts predicted the company would receive takeover offers worth up to $120 a share, or $3.7bn in total.

It is believed some 15 prospective investors signed confidentiality agreements before looking over NWA's books but only a few of them will make a proposal.

NWA's unions are opposed to a takeover by Mr Davis and others with no airline experience. They also oppose relying on heavy debt financing. None the less labour and management appear to favour Mr Al Checchi, a former senior executive of Marriott, the hotel group, who has no track record as an independent deal maker.

Mr Steven Rotbmeier, NWA's chairman, said recently Mr Chacchi represented "friendly money."

Mr Checchi was expected to make an offer by yesterday's deadline.

Another player rumoured to have been preparing a bid was Kohlberg Kravis Roberts, the leading leveraged buy-out specialist which recently took RJR Nabisco, the food and tobacco group, private in a $25bn deal.

El Al earns $18.8m despite drop in tourists

By Hugh Carnegy in Jarusalem

EL AL, Israel's state-owned airline which has been in receivership since 1982, achieved US$18.8m in profits for 1988 despite a sharp fall in passenger numbers as tourists put off by the Palestinian uprising in the occupied West Bank and Gaza Strip turned away from Israel.

The 9 per cent drop in passenger traffic to 1.5m originally led El Al to forecast losses of ovar $10m after a $18.2m profit in the last nine months of 1987, before accounting shifted to the calendar year.

But it said measures such as substituting smaller aircraft for larger ones helped keep the airline in the black. Sales were $665.3m, up from $520.6m in the last three quarters of 1987.

Encouraged by the results, the third consecutive profit by El Al, the Ministry of Transport has appointed a committee to plan the lifting of receivership aud sobsequeot privatisation. The ministry's initial intention is to float up to 49 per cent of the company within two years on foreign markets and the Tel Aviv Stock Exchange.

IBM extends mainframe capability

By Roderick Oram in Naw York

INTERNATIONAL Business Machines has announced three prodncts designed to extend tbe supercomputing capabilities of its ES/3090 family of mainframe computers.

The products are the first of a cootinuing programme of new products that IBM will offer as supercomputing systems extensions (SCSE) to customers such as scientists and engineers who need high speed and processing power for numerically demanding jobs.

"Many of our customers are doing leading-edge scientific and engineering applications and we're going to provide them with leading-edge, state-of-the-art solntions under the new SCSE banner," said Mr Carl Conti, IBM senior vice president and general manager, Enterprise Systems.

Some 300 IBM customers use ES/3090 mainframes in a supercompnting mode instead of buying custom-built supercomputers from companies sucb as Cray Researcb, the industry leader.

Dr David Wehrly, IBM's supercomputing systems developmant executive, said that the company's present and future supercomputing products "will be complemeotary and lead towards" the top-of-the-line machine being developed by Dr Steven Chen, founder of Supercomputer Systems Inc and a former Cray Research scientist. IBM is a minority investor in Dr Chen's company, which aims to market machines by the early 1990s.

The three products announced yesterday markedly improve performance. Tbe first, Clnstered Fortran, is a package of hardware and softwara advances which will allow users to speed up jobs by dividing them between a maximum of 12 processors running in parallel.

IBM has offered a more limited form of parallel processing, one key to higb performance, since October 1987. The new product will achieve a maximum 10-fold increase in performance over the most powerful ES/3090 uniprocessor system.

The second product, a High Speed Channel, can transfer bulk data at up to 800m bits e second. IBM said that sucb data transfer speed would allow users to do complex computer-simulated experiments in high resolution 3-D.

Tbe third product, Inpnt/Output Access Method, would allow users to read and write files in parallel across arrays of direct access data storage devices.

Buy-out at Pennwalt water unit

By Charles Batchelor

PENNWALT Corporation, a Philadelphia-based chemicals group, has sold its Wallace & Tiernan water treatment division to its management teams in Britain, the US and Germany in a deal valued at $75m.

Wallace & Tiarnan has annual sales of more than $100m and employs more than 1,600 people worldwide. Overall the division has been profitable though it has suffered losses in the US.

As an independent company, Wallace & Tiernan Group will retain its headquarters in Belleville, New Jersey. It has seven operating companies which make precision pressure gauges and equipment for flow measurement and water and waste water treatment.

The buy-out comprises $15m of equity provided by four venture capital groups and $60m of loans and loan facilities from Standard Chartered Bank. A 10-strong team of senior managers, headed by Mr Chet Ross, formerly general manager and now president and chief executive officer, will hold between 20 and 25 per cent of the equity if certain performance targets are met.

The four venture capital companies are ECI Ventures in Britain, Allsop Venture Partners of Lenexa, Kansas, Harvest Ventures of New York and Deutsche Beteiligungsgesellschaft, a Deutsche Bank subsidiary, of Stuttgart, Germany.

Management teams in Germany and the US had tried to organise independent buy-outs but when they realised what was happening they agreed to stage a joint deal with the UK management. Pennwalt had been fighting a hostile tender offer from Centaur Partners, a US investment group, but in March it agreed a $1bn bid from Elf Aquitaine, the French state-controlled oil group.

Quantum in propane venture

By Karen Zagor in New York

QUANTUM CHEMICAL, the big US chemical group, bas joined forces with First Boston in an equally-owned partnership (QFB) to buy Panhandle Eastern's propane gas unit, Petrolane Partners, for $1.18bn.

Under the terms of the agreement, QFB will acquire all of Panhandle's 44 per cent stake in Petrolane for $450m in cash. The remaining 13.15m of publicly-held shares will be purchased for $30 each. The partoership will also refinance Petrolane's $335m of existing debt.

Quantum and First Boston will botb contribnte about $100m to the venture. Tbe remaining $1bn will come from a First Boston loan to the partnership. First Boston will have the right to sell its interest in QFB after five years, with Quantum having the right of first refusal.

Mr Richard Tilghman, a vice president of Quantum, described the investment as a prudent financial move. The New York-based company already has a propane gas unit, Suburban Propane, whicb distribntes about 800m gallons of the gas a year. Petrolane, with annual distribution of about 1bn gallons, is the biggest US propane distributor. Combined, the two companies account for about 15 per cent of national distribution. Petrolane will be managed by Quantum's Snburban division.

Quantum would not bave been able to purchase Petrolane oo its own. Tbe New York-based company has abont $2.5bo in debt after a $1.2bn financial restructnriog in December.

Bank of Nova Scotia advances

THE BANK of Nova Scotia, Canada's fourth largest chartered bank, reported a 20 per cent gain in earnings for the first balf of fiscal 1989, dne mainly to a 60 per cent cut in loan loss provisions, writes Robert Gibbens in Montreal.

Profits for the six months to April 30 were C$306.2m (US$254.3m) or C$1.58 per share, up from C$255m or C$1.44 a year earlier. Second quarter profit was C$155.1m against C$129.6m.

Tbe bank estimates loan losses of C$159m for the whole year.

UCB signs deal to buy packaging business

By Tim Dickson in Brussels

UCB, THE Belgian chemicals, pharmaceuticals and films business, has announced plans to buy the flexible packaging activities of Pabeltec, a company hitherto controlled by Société Générale de Belgique and the West German concern Feldmuhle.

The deal, which ends months of uncertainty over tha future of Pabeltec and will involve the buyer in an initial outlay of BF4.7bn ($114m), was hailed by analysts yesterday as a good move for UCB.

UCB has already agreed to take over the 64.5 per cent stake of the two majority shareholders in Pabeltec (and 10 per cent of the existing warrants) and is offering BF4000 per share for the shares and BF1,500 for the warrants which it does not already own.

Feldmuhle, whose main activities are centred on the paper sector, will purchase from Pabeltec its shareholdings in subsidiaries involved in the manufacture and distribution of paper, while SGB will buy CIG-Intersys Graphic.

UCB then intends to transfer to Pabeltec its own activities in the manufacture and conversion of films in Belgium.

This restructuring, UCB says, could adversely affect its results in the short term.

Construction groups post record profits

By Ian Rodger in Tokyo

MANY OF Japen's civil engineering groups posted record profits for the year to March, thanks to strong domestic demand, especially from the private sectors. Two have raised their dividends.

Obbayashi showed pre-tax profit up 32.8 per cent to Y32.9bn ($232.5m) on sales of Y944.7bn, up 15.2 per cent.

Order intake rose 21.9 per cent to Y1,202.6bn, and it expects pre-tax profit in the current year to rise by about a further 34 per cent. Ohbayashi is raising its annual dividend by Y1 to Y7 per share in the current year.

Pre-tax profits of Taisei jumped 42.3 per cent to e record Y42.4bn on sales of Y1,273.2bn, up 23.2 per cent. Sales in the civil engineering and building divisions increased by more than 20 per cent.

Growth at home offset a drop of 0.9 per cent in its gross profit ratio, which was caused by an operating loss on overseas business. The company, which is raising its dividend by Y1 to Y8 per share this year, anticipates an 18 per cent rise in pre-tax profit to Y50bn.

Shimizu also had a record year, with pre-tax profit soaring 47.9 per cent to Y39.8bn on revenues of Y1,254.6bn, up 13.9 per cent. Current year pre-tax profits are also expected to rise strongly – by 56 per cent, to Y62bn.

Pre-tax profits of Kajima totalled Y49.5bn on sales of Y1,241.4bn. The previous period was only four months as the company was changing its year-end. It expects pre-tax profit in the current year to rise to Y59bn.

Kumagai Gumi also changed its year-end. The latest figures cover the six months to March, when pre-tax profit was Y13.6bn on sales of Y451.9bn. The company forecasts profit in the current year to reach Y32bn.

Surge in demand lifts JAL and ANA

By Ian Rodger

JAPAN AIR Lines and All Nippon Airways, Japan's largest airlines, have reported large profit increases in the year to March as a result of booming demand on both domestic and international routes.

JAL's pre-tax profits jumped 34.7 per cent to Y43.6bn ($308.3m) on record sales of Y935.7bn, 10 per cent ehove those of the previous year. At ANA, pre-tax profits increased 13 per cent to Y18.6bn on sales of Y577.6bn, up 9.5 per cent. JAL'e net income was Y17.3bn, up 3.5 per cent, while that of ANA was Y7.4bn, up 23.2 per cent.

JAL has the edge in revenue and profit terms. However, ANA, which is mainly a domestic carrier, carries many more passengers.

Last year, ANA carried 26.7m passengers on its domestic routes and 824,177 on its international rontes, while JAL, traditionally an international line, carried 7.8m on overseas routes and 11.9m on domestic routes.

Competition has been increasing between the two in each other'a territories since liberalisation of the Japanese airline market began three years ago, but such is the buoyancy of demand that both have done extremely well. JAL's load factor averaged 75.4 per cent while that of ANA was 73.7 per cent.

Both companies expect their profits to grow more slowly during the current year, as competition intensifies in both the domestic and international markets.

Also, sales growth will be retarded by capacity restraints both within the airlines and at Japanese airports. JAL forecasts pre-tax profits of Y44m, up only 1 per cent, while ANA is looking for a 2.7 per cent rise in net income to Y7.6bn.

Japan's city banks suffer squeeze

By Stefan Wagstyl in Tokyo

THE 13 Japanese "city" or commercial banks suffered a 3.1 per cent decline in pre-tax profits and before gains from sales of securities last year, mainly because of a squeeze on operating margins.

Margins fell becanee of increases in various expenses including continned investment in computerisation and funding and labour costs. These effects were compounded by two other factors – sluggish conditions in the Japanese government bond market, which hit dealing profits, and a need to increase provisions for Third World debt.

Against this, demand for long-term loans rose, especially from medium-sized businesses, which usually pay higher rates of interest than large groups. But the increase in volume was not enough to compensate all the banks for the decline in margins.

The parent company results for the year to March highlight how the banks are being forced to become more competitive by financial deregulation, including the liberalisation of interest rates. Mr Stuart Matthews, banking analyst at BZW, the securities affiliate of Barclays Bank, said: "These figures were disappointing. The current year's earnings depend on the banks' ability to expand operating margins, which will be difficult."

There were sharp differences in performance between banks, which emphasises the fact that some banks are coping better with the challenge of deregulation than others.

For instance, Sumitomo Bank extended its lead as the most profitable bank by boosting profits before tax and securities transaction by 54.6 per cent to Y269bn – while the figure for second-placed Fuji Bank was down by 13.9 per cent to Y172bn.

JAPANESE COMMERCIAL BANKS
Parent company results (Ybn), year to March

	Total income		Pre-tax profit*		Net profit	
DKB	3,341	(+38.5%)	154.1	(−11.1%)	179.8	(+34.9%)
Sumitomo	3,244	(+32.8%)	269.0	(+54.6%)	198.3	(+78.3%)
Fuji	2,709	(+27.8%)	172.5	(−13.9%)	171.9	(+34.3%)
Mitsubishi	2,624	(+22.8%)	158.1	(+1.3%)	167.4	(+38.3%)
Sanwa	2,588	(+31.5%)	170.4	(−5.4%)	155.5	(+35.8%)
Tokai	1,786	(+16.3%)	97.3	(−17.3%)	60.2	(+20.1%)
Mitsui	1,856	(+20.5%)	98.3	(−38.2%)	79.4	(+30.3%)
Taiyo Kobe	1,205	(+6.7%)	62.2	(−7.5%)	53.5	(+29.6%)
Daiwa	832	(+17.2%)	68.3	(−12.1%)	39.1	(+11.3%)
Kyowa	817	(+0.8%)	51.3	(−12.0%)	36.1	(+7.0%)
Saitama	795	(+4.8%)	45.5	(+10.4%)	29.0	(+20.7%)
Hokkaido T.	651	(+28.4%)	80.5	(+5.9%)	59.2	(+16.0%)
Bk of Tokyo	1,444	(+29.4%)	80.5	(+5.9%)	59.2	(+16.0%)

* Before securities gains

Accounting rule changes introduced this year mean that these figures disclose differences in performance more clearly than in previous years, when banks were not obliged to distinguish securities dealings' profits so comprehensively.

After securities profits are included, the variations in performance are less stark, indicating bow securities transactions are used to smooth out results: whereas eight out of 13 banks showed declines in profits before securities sales, only Tokai Bank did after such transactions.

After securities sales, Sumitomo's profits remained the largest. The bank has recovered from the difficulties it suffered when absorbing Heiwa Sogo Bank, a troubled mutual bank it took over in 1986.

In international operations – one of the fast-growing businesses for Japanese banks – Bank of Tokyo, the specialist foreign exchange bank, was comfortably ahead of the rest, with revenues of Y152bn. However, other banks are catching up fast. Bank of Tokyo's revenues from international operations declined 4.7 per cent, while Sumitomo'e increased 29.8 per cent to Y138bn. Third-placed Fuji's grew by just 1.3 per cent to Y92.5bn, but fourth-placed Mitsubishi Bank increased revenues by 36.5 per cent to Y91.8bn. The average increase was 12 per cent.

● Japan'e two top long-term credit banks have announced large increases in annual net profits, due mainly to improvements in lending margins.

The gains were achieved by expanding business with medium-sized companies, as well as lowering funding costs by replacing interest-bearing bonds with those with lower coupon rates.

Industrial Bank of Japan posted a 25.2 per cent increase in net profits to Y93.5bn in the year to the end of March. Pre-tax profits were 13.5 per cent higher at Y195bn. Revenues were 16.2 per cent up at Y2,154bn.

Long-Term Credit Bank reported a 38.9 per cent rise in net profits to Y70.7bn. Revenues rose by 5.1 per cent to Y1,520bn, and pre-tax profits were 8.2 per cent higher at Y114.3bn.

● The country's eix biggest trust banks have reported sharp decreases in operating profits due to a rise in the cost of raising funds coupled to a decline in income from property broking.

The results highlighted the impact of financial deregulation, since the main reason behind the increase in fundraising costs was a large growth in deposits made at market-linked rates.

The decline in income from property was largely caused by a slowdown in development work, reflecting a levelling-off ahd decline in property prices in Tokyo following a steep rise the previous year.

The banks' difficulties were compounded by a decline in income from bond dealing, where profits for the six banks fell by half to Y24.6bn.

Trust fees, the mainstay of trust banking business, continued to increase, albeit by a modest 2.1 per cent, to a combined total of Y693.2bn.

JAPANESE TRUST BANKS
Parent company results, year to March (Ybn)

	Operating profit		Pre-tax profit		Net profit	
Mitsubishi	137.8	(-12.8%)	171.6	(+4.8%)	77.5	(+18.7%)
Sumitomo	126.0	(-23.0%)	157.5	(+2.1%)	73.5	(+16.7%)
Mitsui	100.1	(-22.7%)	135.0	(+16.5%)	60.5	(+18.6%)
Yasuda	77.1	(-11.8%)	130.3	(+24.5%)	52.4	(+23.4%)
Toyo	78.3	(-20.6%)	92.7	(+2.7%)	41.0	(+8.9%)
Chuo	29.1	(-23.9%)	32.1	(-7.2%)	13.9	(+10.4%)
Nippon	4.0	(-44.6%)	9.8	(4.4%)	4.9	(+0.3%)

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INTERNATIONAL CAPITAL MARKETS

$ strength boosts fixed-rate issues

By Andrew Freeman

INVESTORS began to chase dollar-denominated securities yesterday, with the result that three fixed-rate Eurobond issues met good receptions.

New-issue traders said funds that had been underweight in dollars were aggressively buying paper following last week's strong rally. However, a quiet performanca on the Tokyo stock market meant that a crop of Japanese equity warrant deals traded around their par issue prices.

INTERNATIONAL BONDS

JP Morgan was the lead manager of a novel deal for the Republic of Finland. The $250m seven-year new issue was launched with a coupon of 9 per cent and priced at 100⅛ to yield some 48 basis points over the equivalent US Treasury.

The deal was accompanied by an exchange offer allowing investors in previous Finland dollar deals to switch into the new bonds. A tap facility will allow yesterday's issue to be increased to a maximum of $1.058bn, depending on how many investors taka up the offer.

The purpose of the exchange facility is to create a single, liquid benchmark for the borrower. In the long term, this should allow Finland to achieve cheaper funding costs. In the short term, it should result in the repurchase of several illiquid secondary issues.

Syndicate officials ware impressed by the idea, as were investors, particularly in Japan and the Middle East. The bonds were quoted by the lead manager at less 1⅛ bid, well inside underwriting commissions of 1⅞ per cent.

At that level, the spread over Treasuries had tightened to around 44 basis points. The proceeds ware not swapped yesterday, but will probably be swapped when rates become more attractive.

However, there was some comment that unusual buying of existing Finland issues in recent months had added to the illiquidity of those deals.

An official confirmed that JP Morgan had operated a repurchase programme on behalf of the borrower over the last few months and said that the effect of the repurchases had been to increase trading in the deals.

JP Morgan was acting as Finland's agent for the buying programme, but stopped making markets in the borrower's issues when it was felt yesterday's issue was a possibility. Traders said that more disclosure of the programme would have been fairer.

Morgan Stanley International was the lead manager of a $500m deal for Ente Ferrovie dello Stato, the Italian state-owned railway company. The 20-year bonds came with a 9⅛ per cent coupon and were priced at 101⅝ to yield some 36 basis points over Treasuries.

The deal carried an investor put option at par after 10 years and this feature was the key to strong institutional demand, with money managers to the fore.

Traders reported interest from a wide range of investors. The option was variously valued between 25 and 30 basis points, taking the actual spread over Treasuries to around 65 basis points.

The paper was quoted by the lead manager at around less 1.57 bid, well inside underwriting fees of 2 per cent. Demand was primarily in Europe, with Far Eastern interest expected to soak up the rest of the deal overnight. A substantial portion of the proceeds was swapped into a basket of European currencies, with the rest to be swapped later.

A $125m four-year issue for Xerox Credit was launched by Goldman Sachs to a fine reception. The bonds came with a 10 per cent coupon and were priced at 101.725 to yield 93 basis points over Treasuries.

The pricing was designed to achieve the launch spread and this was vindicated by good demand. Tha lead manager was quoting the paper at less 1.225 bid, comfortably inside fees of 1⅝ per cent. The spread against Treasuries had tightened to 88 basis points by the end of trading.

The sterling mortgage-backed sector was tapped for the first time by one of the UK clearing banks, with Barclays de Zoete Wedd bringing a £175m deal for Gracechurch Mortgage Finance. The issue is backed by a pool of mortgages owned by Barclays Bank.

The par-priced bonds offered a yield of 20 basis points over three-month Libor and were quickly sold, mainly to UK institutions. The lead manager was quoting the paper at 99.96 bid, inside fees of 12½ basis points.

The equity warrant deals launched yesterday had good receptions, although they failed to reach the good premiums enjoyed by recent issues. Supply has been heavy and traders said there was some indigestion. Trading levels were mostly around par bid.

In Switzerland yesterday, secondary bond prices were unchanged, although dealers reported improved turnover. A multi-tranche convertible issue for Dai-Ichi Kangyo Bank totalling nearly $1bn was dominated by a SFr1bn tranche brought by Credit Suisse (SFr900m) and DKB Switzerland (SFr100m). This was the largest issue for a foreign borrower on the Swiss market.

There was some resistance to the size of the issue from investors, while leading Swiss banks said they would wait for final terms to be fixed before deciding whether they would participate in the public tranche which was trading around less 3 bid. The private placement brought by DKB itself was quoted at less 2¼ bid.

In Germany, a DM200m tranche of the Dai-Ichi Kangyo convertible was bronght by Dresdner Bank and was quoted at less 3 bid. Traders said German demand was slightly subdued by the Swiss tranche.

● Merloni Elettrodomestici, Italy's second-biggest home appliance manufacturer, is planning to launch a convertible Eurolira bond of up to L105bn ($72.4m), writes Alan Friedman in Milan.

Merloni, which produces white goods under the Ariston and Indesit brand names, said yesterday it would use the proceeds of the bond issue to reduce its debt of L103bn and to make a final payment on its 1987 takeover of Indesit. The company, which had L16.2bn of net profits last yaar on L1,059bn of turnover, said it had not yet decided whether the issue would be led by Swiss Bank Corporation International or Credit Suisse First Boston.

Merloni, which is quoted on the Milan bourse, is 75 per cent owned by members of the family of Mr Vittorio Merloni, the chairman, who is also a past president of the Confindustria employers' association. The group claims to be fourth biggest in Europe for white goods.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ferrovie dello Stato(a)◆	500	9⅛	101⅝	2009	2/1¼	Morgan Stanley Int.
Finland, Republic of(b)◆	250	9	100⅛	1996	1⅞/1¼	J.P. Morgan Secs.
Xerox Credit Corp.(k)◆	125	10	101.725	1993	1⅝/1⅛	Goldman Sachs Int.
Dai-Ichi Kangyo Bk§	300	(3⅞)	100	2004	2½/1½	DKB Int.
C. Itoh & Co.♦	600	(5)	100	1994	2¼/1½	Nikko Secs. (Europe)
C. Itoh & Co.♦	400	(5)	100	1994	2¼/1½	Yamaichi (Asia)
Kobe Steel♦	300	(4⅜)	100	1993	2¼/1½	Yamaichi Int. (Europe)
Kobe Steel♦	300	(4⅜)	100	1993	2¼/1½	Nomura (Singapore)
Ube Industries♦	400	(4⅜)	100	1993	2¼/1½	Yamaichi Int. (Europe)
Nichirei Corp.♦	150	(4½)	100	1993	2¼/1½	Nomura Int.
Amada Sonoike Co.♦	100	(4½)	100	1993	2¼/1½	Nomura Int.
SWISS FRANCS						
Dai-Ichi Kangyo Bk(c)§	300	(½)	100	1993	n/a	Credit Suisse
Dai-Ichi Kangyo Bk(d)★★§	600	Zero	100	1993	n/a	Credit Suisse
Dai-Ichi Kangyo Bk(e)★★§	100	(⅜)	100	1993	n/a	Dai-Ichi Kangyo Bank
Nitto Chemical Ind.(f)★★§	100	(½)	100	1994	n/a	UBS
D-MARKS						
Dai-Ichi Kangyo Bk(g)§	200	(2⅞)	100	1996	2¼/1⅜	Dresdner Bank
Z-Bank, Vienna(h)★★◆	100	7½	102¼	1999	2¼	Morgan Stanley
Fiat Fin. and Trade(i)★★◆	100	8¾	100⅛	1992	1⅜/1	WestLB
STERLING						
Gracechurch Mort.Fin.(j)‡◆	175	20bp	100	2019	12½/7bp	BZW
GUILDERS						
Heineken NV★★◆	150	7⅝	101½	1994	1⅞/1¼	ABN

★★Private placement. ♦With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms: a) Non-callable. Put option at par July 1999. b) Tap up to $1.058bn. Exchange offer for holders of any old fixed rate Finland $ bonds. c) Indicated put at 105⅜ to yield 2.785%. d) Indicated put at 107⅛ to yield 3.022%. e) Indicated put at 105⅞ to yield 2.870%. f) Indicated put at 105⅜ to yield 2.384%. g) Indicated put and call Sept. 1994 at 109 to yield 4.5%. h) Additional DM100m on tap. i) Borrower option to redeem in DM or C$ at DM1.52 per C$. j) 20bp over 3-month Libor. Average life 6.2 years. Rises to 50bp after June 1999. k) Non-callable.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 9⅛ 95	150	99⅝	99⅞	+0⅛	-0⅜	9.31
Brit. Tel. Fin. 9¾ 98	250	100⅜	100½	0	-0⅝	9.32
BP America 9¾ 99	250	102⅛	102⅜	—	—	9.36
Canada 9 96	1000	100⅜	100⅞	-0¼	-0⅜	8.86
Canadian Pac 10¾ 93	100	†101⅝	102⅛	0	0	10.15
C.C.C.E 9⅛ 95	300	100	100⅝	+0⅜	0	9.20
C.N.C.A 9⅜ 93	150	100	100⅝	+0⅜	-0⅝	6.33
Credit National 8¼ 93	200	96⅛	96⅝	+0⅜	-0⅜	9.39
Credit National 7⅞ 92	100	94⅝	95⅜	+0⅛	-0¼	9.46
Credit National 9½ 92	160	100⅞	101⅜	+0¼	0	9.08
Dai-ichi Kan 9⅜ 92	150	99⅞	100⅝	+0¼	-0¼	9.54
Denmark 7⅛ 92	500	93¾	94⅛	+0⅜	-0½	9.67
E.E.C. 7 91	100	94½	95	+0⅛	-0⅜	9.41
E.E.C. 7¼ 93	250	93½	94	+0⅛	0	9.27
E.E.C. 10 93	140	102¼	102⅝	+0⅛	-0⅛	9.22
E.I.B. 7¾ 93	100	93⅜	94⅜	+0¼	-0⅜	9.31
E.I.B. 9⅜ 97	150	101	101⅜	0	-0⅜	9.16
Eurofima 10⅛ 93	100	†102⅜	103	+0½	-0⅜	9.22
Elec. De France 9 98	200	98⅛	98¾	+0⅛	-0⅛	9.25
Elec. De France 9½ 99	200	101	101⅜	+0⅜	-0⅜	9.31
Finland 7¾ 97	200	92⅛	92⅝	0	-0⅛	9.29
Finn. Exp. Cd. 8½ 92	200	97⅜	97⅞	+0⅛	-0⅛	9.48
Finn. Exp. Cd. 9¾ 95	200	99¾	100⅜	+0¼	-0⅛	9.38
Ford Motor Credit 8 91	250	†97	97⅜	+0⅜	+0⅛	9.69
Gen. Elec. Cap. Corp. 9 93	500	†98¼	98¾	+0⅜	+0⅝	9.40
Gen. Elec. Cap. Crp. 10 1/2 91	300	101⅝	102⅛	+0⅛	0	9.28
Gen. Mtrs. Corp. 9⅛ 92	200	98⅜	98¾	-0⅜	-0½	9.68
IBM Credit Corp. 8⅞ 91	250	98⅜	99⅛	+0⅛	-0¼	9.37
IBM Credit Corp. 9¾ 92	250	100⅛	101	+0⅛	-0⅛	9.14
IBM Credit Corp. 10 92	200	101¾	102⅛	0	-0½	9.18
Italy 9¾ 95	1000	100¾	101⅛	+0¼	-0⅛	9.26
Italy 9⅝ 99	1000	†101¾	102¼	+0⅞	-0⅜	9.29
Japan Dev. Bank 10 96	200	103½	104½	+0¾	-0⅜	9.24
L.T.C.B. of Japan 9⅛ 92	200	†98⅛	98¾	-0⅜	-1⅛	9.79
Metropolis Tokyo 9½ 93	200	100⅜	100⅞	-0⅛	-0⅛	9.30
Nippon Tel. & Tel. 9¾ 98	250	100½	101	+0½	-0¼	9.24
Norway 8⅝ 95	500	98	98⅝	+0¾	-0½	9.34
Portugal 8¼ 91	300	†97	97½	+0⅛	-0⅛	9.95
Prudential Crp. 8¾ 94	125	98½	99	-0⅛	-0⅞	9.05
State Bk S Aust 9⅜ 93	100	†99	99½	-0⅜	-0⅛	9.47
Sumitomo Bank 9⅝ 92	150	†100	100½	+0½	-0⅛	9.50
Sweden 7 91	250	94⅞	95⅜	+0⅜	-0⅛	9.36
Sweden 8¾ 96	200	97⅝	98⅛	+0¼	-0¼	9.17
Sweden 8½ 92	200	†97⅛	97¾	0	0	9.41
Toyota 9⅛ 91	200	99½	100⅝	+0⅛	-0⅝	9.56
Victorian Rep 11¾ 92	150	104⅜	105⅛	-0⅛	-0⅜	9.62
World Bank 7 92	300	†94⅛	95	+0⅜	-0⅛	9.28
World Bank 9 97	300	98½	98⅞	+0⅛	-0⅜	9.23
World Bank 9 93	300	99⅝	100	+0⅜	-0¼	9.06
World Bank 9¼ 98	300	100¼	100⅝	+0¼	0	9.15
World Bank 9⅝ 99	500	102¾	102⅞	+0¾	0	9.17
World Bank 9⅝ 96	300	102½	102⅞	+0⅜	0	0.68

Average price change... On day +0⅛ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	93⅞	94⅜	-0⅝	-0⅝	7.28
Austria 6⅛ 99	750	96¾	97	-0⅛	+0⅝	7.20
Bank of Tokyo 5¾ 93	100	95	95½	+0⅛	-0¼	7.23
Commerzbank o/s. 5⅜ 93	300	†94¼	94¾	+0⅛	+0⅝	7.14
Credit Foncier 6¾ 99	500	96⅜	96⅝	-0¼	+0½	8.24
Degussa Int. 6⅛ 97	200	91⅞	92⅝	+0⅛	+0¼	7.42
E.I.B 5½ 98	150	88¼	89	+0¼	+0½	7.28
E.I.B. 6¼ 99	600	95	93⅝	-0¼	-0⅛	7.24
E.I.B. 6⅛ 96	300	94	94⅜	+0⅛	+0¼	7.18
E.I.B. 6½ 99	300	94⅝	95⅜	-0¼	+0⅛	7.22
E.I.B. 6¾ 95	300	98⅝	99¾	0	+0⅝	7.04
Euro. Coal & Steel 5⅞ 97	175	91⅝	92⅜	0	+0⅜	7.26
Eurofima 6¼ 96	100	95⅞	94⅝	-0⅜	-0½	7.32
Elec De France 5¾ 97	300	89½	90⅛	-0⅛	-0½	7.49
Forsmark Krtg. 5⅛ 93	200	92¾	93⅛	0	+0½	7.36
Hydro-Quebec 6¾ 99	300	96¾	96⅞	-0¼	+0⅝	7.22
Japan Dev. Bk. 5¾ 95	300	91⅝	92⅛	0	0	7.13
Japan Finance 5¾ 97	100	91¾	92⅛	-0⅛	-0¼	7.17
Ireland 6½ 97	300	93⅝	94⅝	-0⅜	-0⅝	7.55
Malaysia 6¼ 94	150	95¾	96⅜	0	0	7.21
Nat. West BK. PLC 6 98	300	91	91¾	-0⅛	-0⅛	7.35
N.H.L. Finance 6¼ 95	200	†93¼	93⅝	0	0	7.55
Nippon Telg. & Tel. 6 95	400	95⅝	96¼	+0½	+0⅞	6.37
Oesters. Kontbk. 5 93	300	94⅝	95¼	0	+0⅝	6.61
Portugal 5¾ 92	150	96⅝	97⅜	-0½	-0⅝	6.82
Portugal 6⅞ 95	150	97¾	98⅝	0	+0⅝	7.00
Privatbanken 5¼ 93	150	92⅞	93⅝	0	0	7.37
Royal Insurance 5½ 92	300	95⅛	95¾	0	+0⅛	7.34
Soc Cent Nuclear 7¼ 95	150	99½	100⅝	0	-0⅛	7.27
Turkey 6½ 95	500	93½	94¼	-0½	-0⅝	7.82
Union Bk. Finland 5¾ 94	200	†94	94½	-0¼	+0½	6.98
Westlb. Finance 5 93	200	†92½	93	0	0	7.26
World BK. 6¼ 97	600	94½	95⅛	0	+0⅛	7.52

Average price change... On day -0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†92	93	+1	+1¼	6.33
Asfinag 5 03	100	†90	90¼	0	-0⅛	6.05
B.F.C.E. 4½ 98	200	†89	90	+0¼	-0¼	6.03
B.M.W. Fin. Neth. 5 13	150	†86	86½	-0½	-0¼	6.11
Britannia B/S. 4⅞ 94	100	†89	90	-1⅛	0	6.78
CIR. Int. W/W 3 93	125	†88	88¼	0	-4	6.35
Credit Lyonnais 4¾ 00	100	†84¾	85¼	0	-0¼	6.72
E.I.B 4⅝ 98	150	†89½	90	+1	+0⅝	6.13
Fletcher Chall. 4⅞ 98	150	†88¼	88½	0	-0¼	6.65
Kobe City 4½ 98	150	†89½	91	+0⅝	+3⅝	6.05
Leeds Perm. B/S. 4⅛ 93	200	†91¼	91½	-0⅝	0	6.72
Malaysia 5¼ 98	100	†86	86¼	+0½	+3	7.39
Maxwell Comm. Crp. 5 95	150	†84½	85	+1	+1	8.31
Nat. Bk. Hungary 5½ 94	75	†93	95½	+1¾	-1⅝	6.77
Nationwide Ang. B/S. 4 93	200	†90⅝	91¼	-0¼	-0½	6.60
Nippon Telg. & Tel. 4¼ 95	200	†91⅝	91⅝	0	-0⅝	5.86
Oesters. Ktbk. 5 03	75	†91⅛	92	+0¼	+0¼	5.87
Prov. Newfoundland 5 03	150	†89½	90½	-0¼	+0¼	6.05
Thailand 4⅝ 95	200	†90	92	-0½	-0½	6.45
World Bank 5 03	150	†88	88¼	+1	-2	6.29

Average price change... On day +0⅝ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅜ 91	80	101⅜	101½	0	0	5.25
Canada 5⅝ 93	80	101½	101⅝	0	0	5.17
Eurofima 5 1995	20	98¾	99¼	0	0	5.20
E.I.B. 4⅞ 93	30	98½	98¾	0	-0⅛	5.28
Ireland 5⅛ 93	30	99¾	100⅛	0	0	5.16
Norway 5⅛ 95	50	99⅝	100⅛	0	+0⅝	5.12
Sweden 4⅝ 93	50	97⅝	97⅞	+0⅛	0	5.27
World Bank 5⅛ 98	10	98⅝	99⅜	0	0	5.29
World Bank 7 94	20	107¾	107⅞	0	0	5.20

Average price change... On day +0 on week +0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¾ 93 £	50	94	94⅜	-0⅜	-0⅝	12.28
Abbey Nat. 11⅝ 95 £	100	97⅞	98⅜	-0⅜	0	12.06
Alg. Bk. Ned. 5½ 92 FL	150	94⅜	95⅛	0	0	7.64
Alg. Bk. Ned. 5⅝ 93 FL	200	94	94⅝	-0⅜	0	7.58
Austria 7½ 94 ECU	100	94⅞	95⅜	-0⅝	-0⅛	8.77
Bk. Nova Scot. 14¾ 90 A$	75	95⅛	96⅛	0	-0⅛	17.64
Barclays Aus. 13½ 91 A$	100	94⅞	95⅜	-0½	-1⅞	16.00
Belgium 8⅛ 94 Ecu	150	97⅛	97¾	-0⅜	-0⅛	8.77
BP Capital 9¾ 93 £	100	93⅛	93½	-0⅛	-0¼	12.01
British Airways 10 98 £	100	90¾	91⅛	-0⅛	-0¼	11.70
Bahrmann-Tet. 6¾ 93 FL	100	†94¼	94¾	-0¼	-2	7.98
Comm. Bk. Aust. 12¾ 93 A$	100	†92	92¾	0	-0½	15.36
Coop. Ctr. Rabo. 6⅛ 95 FL	100	96½	97	-0⅜	-0½	7.29
Cr Local France 9¼ 92 Ecu	100	100⅝	101⅜	-0¼	-0⅛	8.81
Deut. Bk. Aus. 13⅜ 93 A$	125	93¼	93¾	-1⅜	-2⅜	15.40
Deutsche Bk. Fin. 15 94 A$	100	100¾	101¼	-0⅛	-0⅜	14.68
Eastman Kodak 13 90 A$	100	94⅝	95⅜	-0¼	-0¾	17.78
E.I.B. 7 96 LFr.	100	96¼	97⅜	0	-0⅜	7.53
E.I.B. 9 99 Ecu	150	100	100⅜	-0⅜	0	8.96
Eurofima 7¾ 94 Ecu	100	95⅛	95¼	-0¾	-0⅛	8.82
Export Dv. Crp. 8¾ 92 Ecu	100	99⅞	100⅛	—	—	8.79
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†97¼	97⅜	+0½	0	10.76
Fed. Bus. Dv. Bk. 10½ 93 C$	50	99⅛	99½	+0⅛	-0½	10.72
Ferr. Stato 7¾ 95 Ecu	100	95⅝	96¼	-0⅜	-0⅛	8.98
Ford Cr. Can. 10⅝ 93 C$	100	†99⅛	99¾	+0½	0	10.88
Ford Cred. Can. 10⅞ 96 C$	125	100½	101⅛	+0⅜	+0⅛	10.69
Ford Mtr. Cred. 7⅞ 93 Ecu	100	96⅝	96⅞	-0⅛	0	9.05
G.M.A.C. 9¾ 93 C$	150	†96⅛	96¾	+0½	0	10.92
Hydro-Quebec 11 99 C$	400	102⅝	103	+0⅛	0	10.52
Lloyds Bank 10⅛ 98 £	150	91¾	92⅛	-0½	-0⅜	11.74
Lloyds Bank 11¾ 98 £	100	95⅛	95¾	-0⅜	-0¼	12.19
Montreal Tst. 10¾ 93 C$	100	†98¾	99⅛	+0½	0	11.05
Morgan Guar. Tst. 11 91 C$	150	99⅜	99⅝	+0⅜	-0⅝	11.26
Nat. Aus. Bk. 14¼ 94 A$	100	97⅛	97¾	-0⅛	-0⅜	15.51
New Zealand 9½ 93 £	100	92	92½	-0⅛	-0⅛	12.09
Philips Gloeil. 6 93 FL	300	94¼	94¾	-0¼	-0⅝	7.58
Privatbanken 7½ 94 LFr.	500	97⅞	98⅞	0	-0⅜	7.91
Royal Bk. Scot. 10⅝ 98 £	125	93⅜	94¼	-0⅝	+0⅝	11.79
Saskatchewan 9⅞ 91 C$	150	†97⅛	97¾	+0½	0	11.21
Saskatchewan 10¼ 93 C$	200	98⅜	98¾	+0½	-0⅛	10.65
State Bk. NSW. 13⅞ 93 A$	100	94⅞	94⅛	-0⅛	-1⅜	15.66
Sweden 15 94 A$	100	100⅛	100⅝	-0⅛	-1	14.83
Toyota Mtr. Cr. 11⅝ 92 C$	150	101¼	101¾	—	—	10.76
World Bank 13¾ 92 A$	100	†98	98½	-0⅜	-1⅝	14.05
Zentrspk. 13⅛ 93 A$	75	†94⅝	94⅞	-0⅜	-1⅜	14.96

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bid 94 £	.08	99.84	99.89	18/07	13.08
Bank of Greece 99 D$	0¼	99.55	99.64	8/09	10.62
Belgium 91 US	0	100.18	100.28	19/08	9.38
Chelt. & Gloucester 94 £	.063	99.84	99.88	30/05	13.47
Credit Foncier 98 US	.063	100.26	100.36	20/10	10.16
Dresdner Finance 99 DM	.031	99.83	99.93	27/07	6.59
EEC 3 92 DM	0	100.34	100.44	20/08	5.63
Halifax BS 94 £	.1	99.84	99.89	6/08	12.97
Invt. in Industry 94 £	0¼	100.03	100.12	24/05	13¼
Leeds Perm. B/S. 94 £	0⅛	100.01	100.06	13/07	13.34
Midland Bank 01 £	.1	98.40	98.70	11/08	12.97
Milk Mkt. Brd. 5 93 £	0⅛	99.90	99.95	30/06	13.06
New Zealand 5 97 £	.07	99.99	100.09	22/08	13.19
State Bk. Nsw. 98 US	.188	100.36	100.46	11/08	9.87
Woolwich Equit. BS. 93 £	0¼	100.00	100.05	19/07	13.37
Woolwich 5 95 £	0⅛	99.82	99.87	22/08	13¼

Average price change... On day -0.08 on week -0.08

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	115⅛	116⅝	+0⅝	9.29
Amer. Brands 7¼ 02 US	†9/87	56.7	122	123	-0⅝	1.77
Ashikaga Bank 2¼ 02 US	4/87	967.	126¾	127¾	-3	4.94
Asics 5 92 DM	12/83	472.7	264⅛	265⅝	0	6.99
CBS. Inc. 5 02 US	4/87	200.	101⅝	102½	+0⅝	2.77
Primerica 5½ 02 US	4/87	66.75	67¼	68¼	+0¼	104.35
Eng. China Clay 6½ 03 £	4/88	4.8	104¼	105¼	-0¼	2.20
Fujitsu 3 99 US	5/84	1106.	216	217	-6	-1.25
Land Secs. 6¾ 02 £	6/87	6.72	95¼	96¼	-0¼	10.37
Minolta Camera 2¼ 94 DM	2/86	1004.	118⅛	119⅝	+4	9.80
MCA Inc 5½ 02 US	9/87	69.62	92⅛	93⅛	-0¼	15.99
Mitsubishi Bk. 3¼ 04 US	5/89	3264.	93⅛	94⅝	-1⅛	4.01
Mitsui trust 2⅞ 01 US	10/86	1903.	120⅛	121⅛	-3	2.75
Next Plc 5¾ 03 £	11/87	4.3	98⅝	99⅝	-0⅛	187.27
Nichi Hipp. Bk. 2⅝ 03 US	4/88	884.	109⅝	110⅝	-3¼	-1.82
Onoda Tatebi 2⅞ 02 US	4/87	1318.	217⅞	218⅞	-4¼	-1.20
Ranks Hovis 4¾ 03 £	1/88	3.5	124¾	125¾	-0⅝	-3.01
Redland 7¼ 02 £	†1/87	5.4	111¼	112¼	+0⅛	0.74
Saatchi & Stchi 6¼ 03 £	†10/89	4.41	92	93	+0¼	29.50
Sumitomo Bank 3¼ 04 US	2/89	4296.	87⅛	88¼	-0⅝	18.58
Texas Inst. 2¾ 02 US	†9/87	82.87	76¼	77¼	+0⅝	42.52
W.R. Grace 6¼ 02 US	9/87	42.12	94⅝	98⅝	+0¼	19.15

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Flemming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities; Wood Gundy

Nabisco posts letters of credit

RJR NABISCO has posted letters of credit to back three bonds it launched in Switzerland, meaning the issues will not be called early, Reuter reports from Zurich.

J.P. Morgan Securities (Switzerland) and Swiss Bank, the lead managers, had said they would call the bonds early if tha letters of credit were not secured by May 29.

The move was designed to address bondholders' concerns that their securities were threatened by RJR's $25bn leveraged buy-out by Kohlberg Kravis Roberts. The takeover was approved by shareholders last April.

J.P. Morgan was lead manager for a SFr275m, 5⅜ per cent, 15-year bond due in 2000 and a $124m 6 per cent, dual-currency, 18-year bond due in 1994.

SBC led a $120m, 5⅜ per cent/10 per cent, dual-currency, 15-year bond due in 2001.

UK COMPANY NEWS

Bid for Ketson thwarted after refinancing support

By Andrew Hill

KETSON shareholders have backed the marketing and public relations group'e refinancing proposals, thwarting the hostile consortium bid for the company.

Yesterday's EGM also voted to oust Mr Jeremy Bond, Ketson'e deputy chairman and its largest shareholder with a 12.14 per cent stake.

The issues were debated fiercely for about two hours, despite Ketson's claims before the meeting that it had already received favourable proxy votes representing 51 per cent of the shares.

The eventual poll showed 68.8 per cent of votes had been cast in favour of the resolution to get rid of Mr Bond, who supported the consortium bid. Three other resolntione, including the proposal to raise £5m through a three-for-one share offer, were carried by a similar majority on a show of hands.

Ketson aims to right a deficit of shareholders' funds, caused principally by trading losses at its financial marketing and PR subsidiary, Moorgate, acquired last year. Mr Bond is Moorgate's founder, former chairman and chief executive.

Walter Dickson, Ketson's chairman: ability questioned

Mr Edward Owen, who owns 2,500 Ketson shares, told fellow investors that the restructuring amounted to an admission that the group had "bought a lemon".

"That's a brave gesture, but how do we know that the same inability will not result in us buying another lemon?" he asked.

City and Westminster Financial, a private merchant banking and investment group, Broad Street Group, the advertising, marketing and PR consultancy, and Summer International, the training and education company, must now let their break-up bid for Ketson lapse.

The consortium joined small shareholders at yesterday's meeting in questioning the management ability of Mr Walter Dickson, Ketson's chairman.

But other investors, including Ketson non-executive director Mr John Beckwith, chairman of property developer London & Edinburgh Trust, leapt to Mr Dickson's defence.

Mr Michael Preston, Broad Street's group development director, said his company was still interested in buying Moorgate, which would have been sold to the PR group had the bid succeeded. But he said the Ketson board would have to initiate any further discussions.

Ketson shares fell 1¼p to 12p yesterday, 2p above the price of the board's share offer but a fraction of their peak of 151p before the October 1987 crash.

Second half boost helps William Cook to treble profits

By John Riddling

WILLIAM COOK, one of Britain's largest steel foundry groups, yesterday announced pre-tax profits of £5.05m for the year to the beginning of April, well ahead of market expectations and almost three times greater than the comparable figure. Shares rose 30p to 297p.

Mr Andrew Cook, chairman, said the result reflected a "superb second half performance" and the benefits of its acquisitions. In particular, the foundry business of Robert Hyde which was purchased in January made a contribution of £400,000 to profits.

Overall sales increased by 36 per cent to £58.9m and earnings per share rose from 13.77p to 36.34p. There is a final dividend of 6.25p (3.75p) giving a total for the year of 9p (6p).

According to Mr Cook, three of the company'e four main operating subsidiaries performed excellently achieving returns on sales of around 10 per cent at the operating level. William Cook Steel Castings in Sheffield and Catton in Leeds both earned over £2m in profits and Holbrook precision contributed over £1m.

The fourth main business, Hi-Tec integrity castings, only barely broke even. Mr Cook said that the company was the only large-scale producer of castings for the power industry operating in the UK and therefore had longer term strategic attractions.

He said that while he did not expect Hi-Tec to make a significant improvement in the current year, a big contribution could be expected in the next decade.

More serious problems were encountered st Atlas, the fabrication company whicb William Cook inherited through its acquisition of Weir in 1986.

The subsidiary msde losses of around £200,000 during the year and its disposal in January represents an extraordinary item of £93,000.

Mr Cook expressed considerable optimisim about the current year. He said that demand remained firm and that there would be significant cost savings resulting from the closure of Hyde's Stoke works.

Cash flow has been boosted by the sale of an unwanted Hyde factory building for £2.25m. In addition, the disposal of the magnet side of the Neepsend Foundry which was acquired in March brought around £300,000.

Mr Cook expressed strong criticism of the company's European competitors. He said that most were heavily subsidised by their respective governments and were guilty of dumping in the UK market.

BOARD MEETINGS

TODAY

Interims- Global, Omnitech, Stratagem, TSB Channel Islands, United Scientific.
Interims- Channel Tunnel, Dunhill, Elswick, Ralston Inv Tst, Siebe.

FUTURE DATES

Interims-	
Flexello	June 8
Gardiner	June 13
Hunterprint	June 2
Johnson & Firth Brown	June 8
Lovell (YJ)	June 15
Neotronics Tech	June 7
Saatchi & Saatchi	June 14

Finals-	
Beaverco	July 4
Bio-Isolates	May 30
Bullder	June 5
Cropper (James)	June 14
Davy Corp	June 28
Empire Stores (Bradford)	July 6
Finlay (James)	June 8
Harrisons	June 12
Leigh Interests	June 5
Marshalls	June 8
Meyer International	June 20
Neepsend	June 12
Prowting Homes	June 12
Rowlinson Securities	June 5
Savills	June 29

Hostile stake building at DRG

By Clare Pearson

DRG, the stationery, packaging and engineering company, is once more "in play" following further unwelcome share buying by Mr Roland Franklin, a US-based investor, who has pushed his holding to 10.83 per cent.

Yesterday, Mr Moger Woolley, chief executive, said Mr Franklin was "certain to be up to no good" when last week he purchased the 6.73m extra shares, which came on top of a 4.96m holding bought last year.

Mr Woolley believed Mr Franklin, a veteran of the 1970's secondary banking crisis now based in New York, had bought the shares from the Kuwait Investment Office, and that the KIO probably no longer had an interest in DRG.

DRG, with interests spanning from Basildon Bond to Sellotape and long subject to bid speculation, has been seen by the City as making creditable progress in developing its brand names and making its operations more efficient. It pushed pre-tax profits up 16 per cent to £58.2m in 1988.

It has been thought any hostile bidder would probably aim to break up the company, which has substantial properties.

Sir James Goldsmith, who has this year formally launched himself back on the UK takeover trail, was last autumn rumoured to be planning a bid for DRG in conjunction with Mr Franklin, with whom he has had business connections. However, speculation died down after reported denials of any link between Sir James and Pembridge Investments, Mr Franklin's sharebuying Bermuda vehicle.

Mr Woolley said yesterday he thought DRG, with a market value of about £530m at yesterday's close of 503p, up 16p, was too small to catch the attention of Sir James, who now owns a stake in the investment vehicle Anglo Leasing, along with Mr Jacob Rothschild.

Aside from Pembridge Investments, DRG has a broad spread of shareholders, with about 80 per cent of them institutional.

BBA builds up Page Avjet

By Clare Pearson

PAGE AVJET, Florida-based subsidiary of BBA, diversified UK industrial company, has won the maintenance contract for the Boston-New York-Washington shuttle from Mr Donald Trump, the New York investor who bought it last week from Eastern Airlines.

BBA, with interests in motor components and industrial materials as well as aviation, is also expanding Page Avjet's facilities in Orlando, Florida in a move that ends speculation it might dispose of the business as it has some other parts of Guthrie Corporation, its £221m acquisition of a year ago.

Dr John White, BBA's group managing director, said the decision to keep Page had been taken because of the "dynamic growth prospects" of its aircraft refurbishment side. Page is to get a hanger and new office space on a five acre site at Sanford Regional Airport.

Shares slip in Anglia Secure Homes as director resigns

By Philip Coggan

SHARES IN Anglia Secure Homes, the sheltered housing group, plunged 41p to 235p in early trading yesterday after Mr Douglas Moonie, the former deputy chairman and one of the group's two founders, announced his resignation as a director.

Mr Moonie said that he was leaving the board because he would shortly be bringing Danbury, a property company of which he is chairman and chief executive, to the Unlisted Securities Market. The sponsors of the issue wanted him to devote his time fully to Danbury.

Mr Moonie added that he had been a non-executive director of Anglia since June 1988 and would be remaining as a consultant to the group.

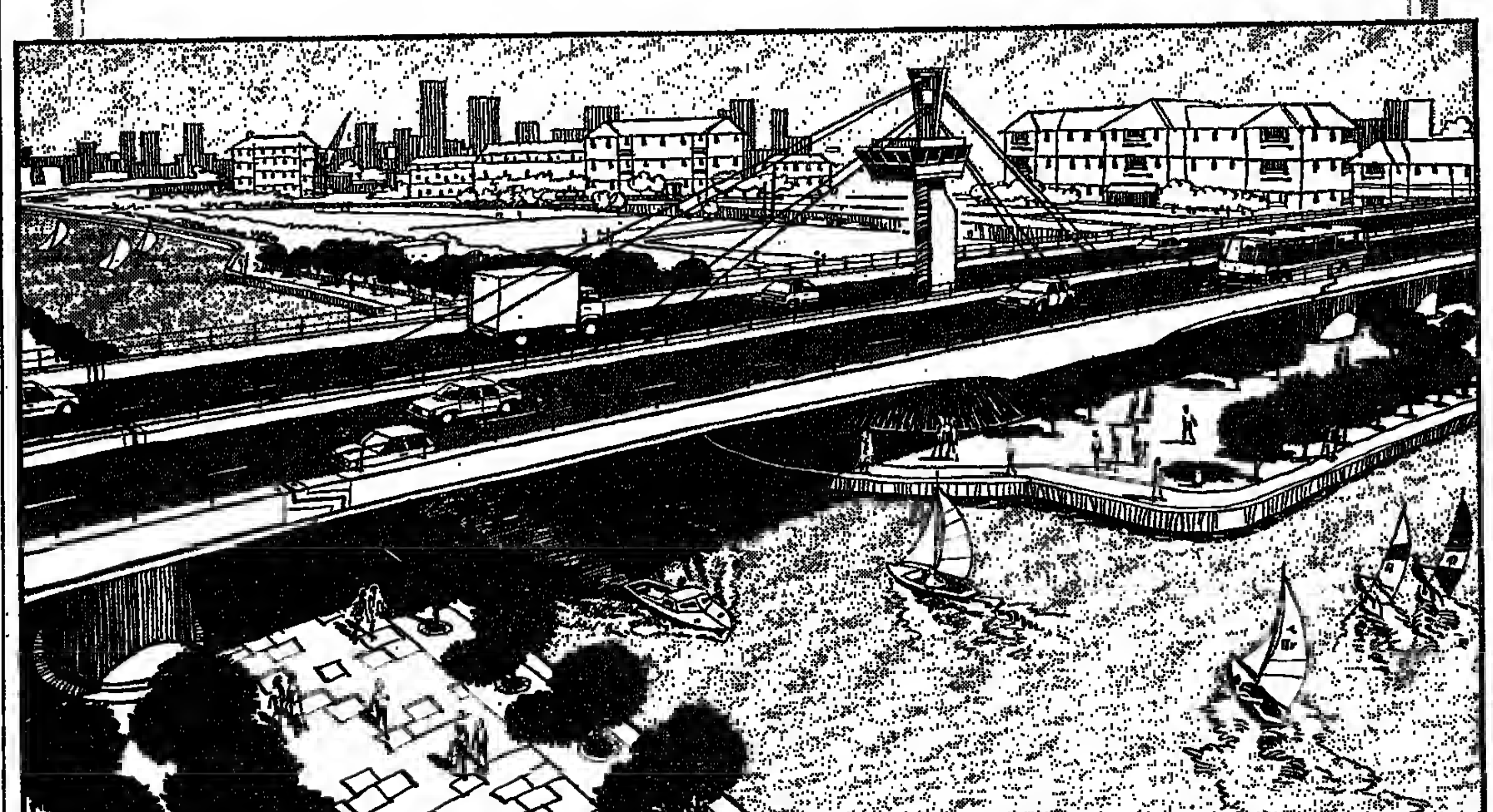
As news of the reason for Mr Moonie's departure emerged, the shares recovered part of the lost ground to close at 245p. However, Anglia's shares have fallen heavily (from around 400p) since rival sheltered home builder McCarthy & Stone warned of lower profits earlier this month.

Glynwed purchase

Glynwed International, the Midlands-based indnstrial group, has acquired a group of businesses from Adatif International, a Canadian group, for C$19m (£10.1m).

The acquired buslnesses are the Columbia, MBF, Columbex and HOP divisions of Adatif's subsidiary, Columbia International, Adtek Pipe & Tube and a 60 per cent stake in Sherbrooke Plastics. The businesses, which operate in Ontario and Qnebec, are mainly involved in the manufacture of steel electrical conduit and conduit-related accessories.

Glynwed said the acquisition was part of the expansion of its steel tube interests.



Sedgwick says no Transamerica bid

By Patrick Cockburn

SEDGWICK GROUP, the world's second largest insurance broker, yesterday said that Transamerica, its 39 per cent shareholder, had confirmed that it was neither planning to bid for Sedgwick nor to sell out its shareholding when a standstill agreement expires on August 30.

Sedgwick said that it had asked Transamerica directors to stay on its board instead of resigning under the terms of the original agreement as a sign that Transamerica would not change its relationship with Sedgwick.

Mr David Rowland, chief executive, said that the aim of the move now was to reduce expectations of dramatic change and to defuse "the time bomb ticking at the end of August." He added that in any case Transamerica could not deal in Sedgwick shares until after February 28 under the provisions of the old agreement.

He said: "Transamerica want to stay with the present situation" and to give a sign now of their future intentions. This was important for Sedgwick because the existence of a 39 per cent shareholder, although with voting rights restricted to 29.9 per cent, inevitably made it easier for control of the company to change.

Mr Rowland stressed, however, that the chance of "Transamerica bidding for Sedgwick is not a very likely one."

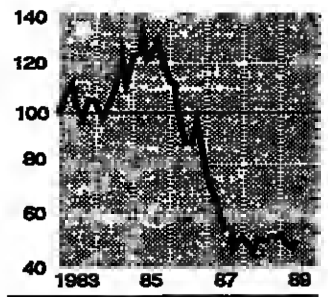
Results for the three months of 1989 still show the impact of the recession in the industry with pre-tax profits down to £40.9m compared with £43.9m over the same period last year. Revenues, at constant exchange rates, fell by 2 per cent to £171.4m.

Difficult insurance market conditions were underlined by a small fall in turnover from £159.1m to £157.5m over the same period. Interest and investment income rose from £11.5m to £13.9m. Expenses increased by 0.7 per cent to £130.6m based on constant exchange rates.

Earnings fell by 8.7 per cent to £27.3m and earnings per share were 6.4p compared with 7p.

Sedgwick

Share price relative to the FT-A All-Share Index



See Lex

BTS £1.3m open offer launched

BTS Group, the USM-quoted remoulded tyres and batteries company, launched a £1.3m open offer to help finance its previously announced £2.5m acquisition of Micro Marketing, a mail order supplier of computer equipment.

The one-for-four offer to shareholders is priced at 86p. The APA venture capital group, which owns 52.4 per cent of BTS shares, will take up at least half of its entitlement.

Aberdeen Petroleum cuts losses

NET LOSSES at Aberdeen Petroleum, the acquisitive USM-quoted oil and gas exploration and production company, fell from £1.8m to £362,000 in the year to end-December 1988.

Turnover improved 14 per cent from £1.9m to £2.2m. Administration and other expenses increased to £825,000 (£750,000), while the cost of sales fell to £1.7m from £3.5m last time.

After a nil tax charga (£520,000 credit) losses per share fell to 0.8p (4.7p).

The company said that turnover for 1988 was affected by the fall in oil prices. Administration expenses had been inflated by staff and office rationalisation costs of £180,000.

Current oil and gas prices, coupled with a more favourable exchange rate, were helping to maintain a considerably increased turnover, while administration expenses had been reduced by about 30 per cent.

At the year end the group's cash balances and available lins of credit totalled some £2.75m while proven reserves totalled 800,000 barrels of oil and 7.5bn cu ft of gas compared with 450,000 barrels and 1.5bn cu ft respectively at end 1987.

Since the year end the gronp's gas reserves have increased by a further 40 per cent with the purchase of an interest in the Deep Madden Unit in Wyoming.

COMPANY NEWS IN BRIEF

BRITISH SHOE Corporation, a subsidiary of Sears, intends to seek stockholders approval for the redemption in cash at par, plus accrued interest, of all the outstanding £200,000 nominal 5 per cent debenture stock of the company.

BURNS-ANDERSON has acquired Office Services Bureau, secretarial employment agency, for £475,000 cash. Pre-tax profit for year to June 30 1988 was £102,000.

CHRISTIAN SALVESEN is to sell the fixed assets of its Californian snbsidiary, Christian Salvesen Packing and Marketing, for $2.5m (£1.58m), to Snma Fruit International (USA).

COOKSON GROUP is acquiring the business of South Coast Refractories of Bulli, near Wollongong, New South Wales, Australia. It is principally engaged in the making and selling of monolithic refractory linings and has been acquired to enable the Plibrico sector of Cookson ceramics and plastics division to expand into the Australasian market. The cash consideration is not significant when compared with Cookson's net assets, directors said.

DAVENPORT Knitwear made pre-tax profit of £1m in 1988 (£1.17m) on turnover of £7m (6.74m). Earnings 38.06p (43.76p) and dividend again 8.03p.

ESTATES & AGENCY (property investor): Final dividend 3p making 5p for 1988 (3p). Net rental income £2.68m (£1.78m) and profit £722,000 (£663,000) before tax £244,000 (£190,000).

ESTATES AND GENERAL Investments has increased its holding at Beckton Retail Park, Beckton, to 40,000 sq ft by purchasing the remaining unit not already in its ownership for £2.7m.

FLOYD ENERGY is paying a maximum £4.35m, with £3.1m on completion, to buy Whiteley Read, which designs, engineers and fabricates pressure vessels. Also Floyd will advance £900,000 to fund dividend payment to vendors.

GREEN PROPERTY has arranged for Davy Corporate Finance to invite shareholders to subscribe for new ordinary shares at I£1.6 per share and new loan stock at I£1.35 per unit on the basis of one new ordinary and one new loan stock unit for every 5.61 shares held, and to loan stock holders on the basis of one new ordinary share and one new loan stock unit for every 8.41 units held.

HUNTINGDON International has acquired Herzog Associates for $2m. Herzog is a California-based engineering consulting and testing organisation specialising in the geographical and environmental fields.

ICI has acquired Rayca Chemical Corporation, Mount Holly, North Carolina, USA. Rayca has a strong specialist position in dye fixation, levelling and scouring agents.

KENTISH PROPERTY Group: Annual meeting told that Kentish had linked with Kleinwort Benson Property Fund to form Kentish Business Centres, a company which would acquire and operate a network of fully serviced business centres and offer low-cost storage and warehousing facilities to consumers and small businesses. The chairman also told the meeting that sales were continuing at strong level.

LEADING LEISURE is to acquire two freehold bingo clnbs in Cardiff for £750,000 *cash. The group's bingo division* will now have eight clubs.

MID KENT WATER: applications from consumsrs and employees received for 915,500 shares and offer closed; valid applications will be met in full.

MOUNTLEIGH GROUP has bought 3m of its own shares at 159p each through the market for cancellation.

NABISCO: The Trade Secretary has decided not to refer the proposed acquisition by Rank Hovis McDougall of the cereals business of Nabisco Group.

PLUMB HOLDINGS: Raine now speaks for some 98.4 per cent of the shares. The offer has been declared unconditional and the balance is to be acquired compulsorily.

PORTER CHADBURN: Of the recent rights issue 95.2 per cent was been taken up with the balance sold in the market.

PRUDENTIAL PROPERTY Services has extended its operation to the Potteries as part of its drive to establish an estates agency presence in Britain's key housing areas. It has acquired the local firm of Marsdens, with branches in Longton, Cheadle, Tunstall and Newcastle-under-Lyme.

RYAN HOTELS has agreed to acquire Classic Hotels Holland, owner of the Memphis Hotel in Amsterdam, for some I£1.4m (£1.18m). Consideration, plus a further I£0.7m to cover the acquisition and planned capital expenditure on the Memphis Hotel, is being satisfied via the issue of 3.82m Ryan shares.

SECURICOR GROUP: The simultaneous rights issues by Securicor Group and Security *Services closed on May 22. The* Security Services issue to raise £51.1m was taken up in respect of 11.26m new ordinary (97.6 per cent). Securicor's issue to raise £34.3m was taken up in respect of 345,696 ordinary (96.6 per cent) and 6.42m 'A' ordinary (97 per cent).

SILVERMINES: The group's property and services divisaion has acquired Marine House, Dublin for IR£5.5m cash. The acquisition will donble the company's property rental income to IR£700,000.

SPONG HOLDINGS: In respect of the open offer to shareholders, applications were received for 34.8m of the 13.78m new ordinary made available under terms of the open offer. Under the terms of the offer, 2.26m new ordinary, representing the basic entitlements of shareholders for which applications were not received, were made available to satisfy applications from shareholders for new ordinary in excess of their basic entitlements. Excess applications will be scaled down pro rata to the number of excess shares applied for, with shareholders being allotted approximately 96 new ordinary for every 1,000 applied for.

TLS RANGE: USM dealings in this vehicle rental company are expected to start on May 31.

WA HOLDINGS: Bid by Haden MacLellan has received acceptances in respect of 24,762,827 WA ordinary (64.9 per cent). The offer has been extended and will remain open until June 7.

EHP shares fall 33p on profit warning

By Clay Harris

HIGHER INTEREST rates and continuing trading difficulties in Italy and Spain prompted European Home Products, the UK-based retail and distribution group, to warn yesterday that profits would fall in the first half of 1989.

EHP is the European distribntor of Singer sewing machines and Scholl footcare products as well as a leading consumer durables retailer in southern Europe. The warning sent its shares sharply lower; they lost 33p to close at 169p.

Mr Doug Ash, chairman and chief executive, said EHP had decided to make its statement after receiving April trading figures from Italy and Spain. *These dashed hopes of a second-quarter recovery* to offset the depressed conditions in the first three months which EHP had noted earlier.

As a result, trading profits for the first half were likely to be 20 to 25 per cent below the £14.3m reported at the interim stage last year.

Moreover, higher interest rates meant it likely that the bill for the first half would rise to £4.8m from the comparable 1988 figure of £2.8m. To reduce tha full-year effect, EHP was aiming to reduce borrowings by reducing stocks and bringing forward planned property disposals.

Barclays de Zoete Wedd, EHP's broker, said it had reduced its pre-tax forecast for the full year, excluding profits from property disposals, from £23.5m to £15m. This comparable figure for 1988 was £20.4m. Morgan Stanley has cut its forecast on the same basis from £22.5m to £18m.

The worst problems for EHP appear to be in Italy, where it sells household electrical prodncts through 10 Excel stores. The situation was slightly more encouraging in Spain, where it owns the Ivarte chain and operates the electrical departments in Galerias Preciados stores.

Portugal, meanwhile, was performing np to budget despite a Government credit-restriction package.

The Scholl business and *operations in northern Europe* have not been affected by the slowdown, although the former will suffer this year from the withdrawal of an advertising subsidy from its former US parent which was worth £1.3m pre-tax to EHP in 1988.

Bid approach for Lyon & Lyon

Shares in Lyon & Lyon soared 37p to 330p yesterday after the Yorkshire motor dealer said it had received an approach about a possible bid. The announcement came only two weeks after Lyon said it had rejected a possible takeover approach.

At yesterday's price, a record close for the shares, Batley-based Lyon is valued at £10.6m. In 1988, it reported pre-tax profits of £927,000 on turnover of £20.5m.

Sea Containers prepares to battle for SNCF's ferries

By George Graham and Rachel Johnson

SEA CONTAINERS, which last week received an unsolicited Anglo-Swedish bid, is gearing up for a head-on battle with other ferry operators over the future of five ferries owned by Société Nationale des Chemins de Fer (SNCF), France's national railway company.

The SNCF ferries operate under the Sealink name in partnership with British Ferries, a subsidiary of Bermuda-based Sea Containers.

Last Friday, Tiphook, the UK container rental company, and Stena, the Swedish shipping group, launched an $824m (£529m) cash bid for Sea Containers. Stena would take on the ferry operation and Tiphook the Bermuda group's container business.

The future of the SNCF ferries is being studied by the French sea ministry. But already the bidders are lining up in anticipation that the rail company will sell its cross-Channel business. SNCF will be one of the major users of the Channel Tunnel when it opens in 1993, and has already settled on the principle that it cannot combine this position with that of a ferry operator.

French-owned Brittany Ferries, a competitor – though not on the Dover-Calais or Newhaven-Dieppe routes where Sealink plies – has accused SNCF of preparing the direct sale of its ferry operation to British Ferries, its operating partner. SNCF and Sealink have 50 per cent each of the Dover-Calais ronte, for example.

British Ferries says it has been interested by the SNCF operation since the Tunnel became a certainty in early 1986. Whether the sale will be thrown out to tender is "not clear."

It is expecting to buy 51 per cent of the ferries from SNCF on the eve of the Tunnel's opening to traffic in 1993 – but says SNCF will retain control.

Mr Christian Michielini, managing director of Brittany Ferries, is determined to stop SNCF from selling without at least giving him a chance to bid.

"It is not the fact that they should sell to a foreigner, but that they should sell without offering it to others," he said yesterday.

Mr Michielini said his company was becoming more and more convinced that ferries would still be competitive on the Straits of Dover route once the Channel Tunnel opened and wanted to look at the price of the SNCF business. He is also separately evaluating the five SNCF vessels.

SNCF, meanwhile, described Mr Michielini's remarks as "idiocies", since the report commissioned by the sea ministry from Mr Paul Leonard, chairman of France's merchant marine council, had not yet been delivered. SNCF said it would make no comment on the future of its ferries until Mr Leonard's conclusions were known.

Mr Leonard was dns to deliver his conclusions by May 12, but a spokesman for the sea minister said that the report had not yet been received.

In April Sealink ruled out a deal with Stena, which owns about 8.2 per cent of Sea Containers, to run a joint ferry operation on Channel routes. This would have considerably strengthened its position before the opening of the Tunnel by maximising its market share.

● Sea Containers said yesterday that it would probably not make a statement on the unsolicited $824m (£529m) bid for the company until next week, writes Andrew Hill.

Mr James Sherwood, the group's chairman, has returned to the UK, but was unavailable for comment. He must respond to Friday's offer from Tiphook and Stena within 10 business days.

Court proceedings will begin in Bermuda tomorrow in an attempt to dismantle Sea Containers' "poison pill" provision – allowing shareholders to snbscribe for new preference shares in the event of a bid – and prevent the group buying more of its own shares as an additional bid defence.

New York arbitrageurs, who started taking positions in Sea Containers stock when Stena revealed an 8.2 per cent stake in March, are apparently expecting an improvement in the offer of $50 a share.

Rolfe & Nolan higher profits with margins up

Increased revenue, lower costs, and a further rise in interest receipts stemming from the strong cash position led to improved second-half profits for Rolfe & Nolan Computer Services.

Profit rose to £407,000 (£278,000) and lifted the total for the year ended February 28 1989 from £510,000 to £757,000. That represented a rise of 48 per cent on turnover 27 per cent ahead at £3.84m (£3.02m).

Mr Tim Hearley, chairman of this USM-quoted futures and options computer bureau and software specialist, said new orders from top quality institutional clients fully replaced customers lost following the introduction of the Financial Services Act and the October 1987 market crash.

Earnings for the year worked through at 18.7p (11.7p) and the dividend is raised from 4p to 5.6p, the final being 3.5p.

On the current year the chairman said the underlying bureau business was ahead of budget as a result of higher trading volumes in most of the main features and options markets.

German licence sales were being installed later in the first half and in the beginning of the second. Further licence sales were anticipated in the UK and Continental Europe, and in the latter the company believed there were substantial opportunities for growth.

GM Firth severely cuts stake in Porter Chadburn

By David Waller

GM FIRTH (Holdings), the diversified steel stock-holding, investment and furniture group, has reduced its stake in Porter Chadburn, a distribntion and consumer products company, to virtnally nothing.

At one point Firth owned 64 per cent of Porter, but the size of the holding fell gradually over the last two years until it stood at 8.9 per cent at the beginning of this month. All but 200,000 of these shares have now been sold.

Since April 12, Firth has disposed of a total of 7.825m shares for a total of £7.34m, compared to a net book value of £1.94m. The disposals all but clear Firth's overdrafts, which stood at £8.4m at the end of March.

The latest batch of shares has been sold to institutions.

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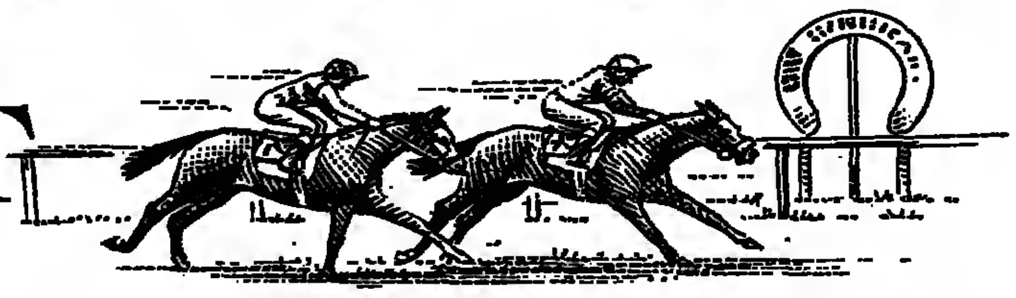
MEASURE FOR MEASURE

BRENT WALKER'S RELENTLESS DRIVE

IN PURSUIT



OF LEISURE IN 1988 WAS ACTION PACKED

GROWTH

WAS IMPRESSIVE AND WE SAILED THROUGH

TO GREATER PROFITS.

FINANCIAL HIGHLIGHTS 1988 (unaudited)

	1988 £M	1987£M	%CHANGE
Turnover	128.9	70.9	+82%
Profit before tax	41.7	20.8	+100%
Earnings per ordinary share (fully diluted)	41.05p	27.50p	+49%
Dividend per ordinary share	11p	8p	+37.5%
Shareholders funds	603.6	227.4	+165%

Yet another record year was achieved by the Group in 1988 with turnover increasing by 82 per cent to £128.9 million and profit before tax by 100 per cent to £41.7 million. Earnings per share on a fully diluted basis have increased by 49 per cent to 41.05 pence per share and shareholders' funds to £603.6 million and are represented by an asset base of excellent quality. Assets per share on a pro-forma and fully diluted basis are now seven pounds. The Directors are recommending a final dividend of 7 pence per share bringing the total for the year to 11 pence per share, an increase of 37.5 per cent on last year.

A major policy decision was made to pursue a strategy of diversification within the leisure and leisure-related sectors to improve the quality of the Group's earnings and broaden its trading and asset base. In pursuit of this policy, we acquired two long established brewery businesses, J. W. Cameron and Co. Limited and Tollemache & Cobbold Breweries Limited. Taking into account the 386 public houses we acquired earlier in the year, and various disposals, we now have a total of 1,087 public houses. We also acquired Whyte & Mackay Distillers Limited. Additionally, as part of our diversification we acquired a chain of 119 licensed betting offices in London and the South East.

As a further development of this strategy we have recently made a number of disposals. Included in these was the sale of our five casinos in the north of England and of Crockfords in London, 100 tenanted public houses in London and 52 managed public houses in Yorkshire, Teeside, Suffolk and Cambridgeshire.

We have also made several smaller disposals which, combined with those already mentioned, have reduced our gearing substantially as well as showing a significant surplus over book values. This programme of rationalisation will continue through 1989 and we expect to make further strategic disposals which we anticipate will further reduce our gearing significantly.

During the year we acquired Elstree Film Studios. With our interests in the film industry combined with our property development expertise, we were able to submit plans, which contain greatly improved studio facilities, together with a certain amount of commercial development. The acquisition of Elstree Studios and our 10 per cent interest in TV-am has enabled us to build Goldcrest into a fully integrated Media Group.

In Le Touquet we entered into a joint venture with Declan Kelly Group plc to develop the residential land to provide approximately 1,100 homes.

It is our intention to maintain our strategy of constant improvement of the base of our core activities and their profitability. We shall, accordingly, continue to take advantage of every opportunity that presents itself to rationalise the structure of the Group, improve liquidity and in so doing, produce a stronger net asset base.

Full details of the Group's activities are recorded in our Annual Report & Accounts which will be available from:

The Company Secretary, The Brent Walker Group PLC, Knightsbridge House, 197 Knightsbridge, London SW7 1RB.

THE BRENT WALKER GROUP PLC

WORKING FOR PLEASURE

UK COMPANY NEWS

Mike Luckwell lifts WPP stake to 5.04%

By Nikki Tait

MR MIKE LUCKWELL, former managing director of Carlton Communications, yesterday revealed that he has raised his stake in WPP, the advertising agency and marketing services company which is currently making a recommended $864m bid for the New York-based Ogilvy Group, to 5.04 per cent.

Mr Luckwell first acquired shares - around 3 per cent of the equity - in WPP in February 1988. This was after WPP's first major US acquisition, the JWT Group which it bought in summer 1987, and in the wake of the October stockmarket collapse when the advertising company's shares were hit severely.

Since he left Carlton, Mr Lukewell has also emerged as a shareholder in TV-am, where he acquired a 5 per cent interest from Beaverbrook Investments. He is currently chairman of Parallel Media Group, which specialises in sports sponsorship, linked to TV production and distribution.

Mr Lukewell said yesterday that he could see "WPP's potential to broaden its base not only into television, but in the media field generally, building on the power base of JWT and the Ogilvy Group."

However, he said that he did not intend to raise his stake further at the present time. The stake has been bought through Walbrook International Trust Company, of which Mr Lukewell is the beneficiary.

WPP shares were 23p higher at 673p yesterday.

SHARE STAKES

Changes in company share stakes announced recently include:

Ambrose Investment Trust: Exmoor Dual Investment Trust sold 100,000 income shares, redncing holding to 400,000 (5.56 per cent).

Ashley Group: under the open offer J White, director, took up 99,879 ordinary; CS Tipper, director, took up 1,730 ordinary and 1,500 convertible preference.

Bullers: Gamlestaden and associate increased stake to 1.17m shares (7.4 per cent).

Burns-Anderson Group: Family Assurance Society has acquired 150,000 shares and is now interested in 2.58m (9.01 per cent).

GT Dollar Fund: GT management and discretionary clients hold 17.25 per cent.

GT Venture Investment: Royal Insurance raised stake by 82,775 to 957,775 shares (7.09 per cent).

Hidong Estate: Flairshare and connected parties are now interested in 168,326 shares (9.8 per cent) after buying 100,000.

North of Scotland Investment: Ensign Trust sold its entire holding of 5.45m shares (25.4 per cent). Aberdeen Trust beneficially acquired 1.45m (6.76 per cent); Edinburgh Trust bought 400,000 bringing interest to 5.29m (24.64 per cent); WH Smith pension funds acquired 600,000 lifting stake to 2.2m (10.25 per cent).

NSM: NBK (London) nominees disposed of 500,000 shares and holding now 37.48m (21.73 per cent).

REA Holdings: WH Salomon, director, sold 23,500 shares at 73.5p; beneficial holding now nil and non-beneficial interest 4m (10.26 per cent): JA Townsend, director, sold same number at same price; beneficial interest 0.08 per cent and non-beneficial 10.26 per cent.

Takare: Singer and Friedlander owns 2.6m ordinary (21.28 per cent) and a further 1.672 per cent through discretionary management.

Tribune Investment Trust: NatWest Investment Bank and associates and/or certain pension funds and trusts interested in 3.97m shares (7.75 per cent).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Acatos & Hutch ......int	3.5	July 24	3.5	-	9
Cook (William) ......fin	6.25	-	3.75	9	6
Crown Communcias§.int	1.5	-	nil	-	3
Davenport Knit ......fin	8.03	Oct 2	8.03	8.03	8.03
Pennant Group ♦ ......fin	0.2	-	0.2	0.2	0.2
Rolfe & Nolan § ......fin	3.5	July 27	2.5	5.8	4
Scot Mercantile ......fin	2.7	-	3.2	4.1	4.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

Receivers called in at Mirra Holdings

By Jean Marshall

MIRRA HOLDINGS, a company providing income-producing services to local health authorities, has gone into receivership. Mr Nick Lyle and Mr Roger Powdrill of Spicer and Oppenheim, City accountants, are the joint administrative receivers.

Last Wednesday Trevian Holdings, the property developer which has a 45 per cent interest in Mirra, announced it was making a £1m provision against the cost of its involvement.

Mirra's problems appear to stem from delays in obtaining firm decisions from hospital managers and local health authorities. Its basic product was an advertising-led pre-recorded video programme for viewing in hospital waiting rooms. It was also interested in opportunities to develop car parks, leisure centres and shopping areas within hospital grounds. This latter aspect, of developing the large land banks possessed by many hospitals, seems to have attracted Trevian.

Mirra was founded in 1982 by Mr Robert Ainsworth. Trevian acquired its stake in late 1987 from Brent Walker, which retained a 10 per cent interest.

Scottish & Merc

Scottish and Mercantile Investment is paying final dividend of2.7p to make 4.1p for year ended March 31 1989 (4.6p). Earnings 4.11p (4.65p). Fixed assets investment income £1.43m (£2.04m). Net asset value at March 31 was 124.65p (112.82p).

Epwin acquisition

Epwin Group is to acquire a UPVC window manufacturing facility at East Moors, Cardiff, from West 'N' Welsh (Holdings) for £520,000.

The consideration is to be satisfied by the issue of 379,563 new Epwin ordinary. These are being placed by Cazenove at 137p per share.

Goodhead pays up to £7.3m for Canadian papers

GOODHEAD GROUP, the contract printing and free newspaper group, announced yesterday that it had agreed to pay up to C$13.8m (£7.32m) in cash for several Canadian publications.

The main titles, Oxford Shopping News, Lake Shore Shopper, and Sarnia-Lambton Shopper, will be purchased through an initial payment of C$7.75m. A further C$2.75m will be payed on the acquisition's first anniversary, followed by up to C$3.3m depending on future profitability.

Goodhead said it had been considering for some time investing in a North American publishing business. It said the Ontario-based weekly publications, which are devoted entirely to advertising, and are therefore cheaper to produce, represented an attractive opportunity, as well as a sound base for expansion in North America.

The board added that it considered North American free newspaper titles easier acquisition targets, due to the fact that the the titles are not concentrated in the hands of major publishers, as they are in Britain.

For the year ended March 31, the Canadian free shoppers reported combined unaudited pre-tax profits exceeding C$1.6m Goodhead reported interim pre-tax profits up 88 per cent to a record £2.7m (£1.4m) for the six months to November 30 1988.

● Goodhead also announced that Mr E.J. Winnington-Ingram had been appointed to its board as a non-executive director. Mr Winnington-Ingram was previously Managing Director of Mail Newspapers and has just retired as a director of Associated Newspapers Holdings.

First Tech expands in US

By David Waller

First Technology, the automotive, fire, security and safety systems group, is consolidating its position in the market for manufacturing car crash dummies with the $1.9m (£1.2m) acquisition of the Connecticut-based Alderson Laboratories.

Alderson designs and manufactures dummies used for testing vehicles in crashes. The latest deal follows on from the purchase of Humanetics last year, another company in the same area, and means that First Technology now makes a whole family of such dummies.

These range from a three year old child to a fully-grown American adult male. Up to four of them, laden with sophisticated sensors, are put in prototype cars and then fired at walls at a variety of speeds.

Alderson made a pre-tax profit of $126,000 in the fifteen months to the end of March and its net assets at that date were $584,000. The consideration will be satisfied by $1.19m in cash on completion and a further $700,000 due on June 30 1990.

Ransomes to restructure

By Ray Bashford

RANSOMES Sims & Jefferies, the grass cutting machinery manufacturer, is restructuring following its progressive withdrawal from the farm machinery business.

As part of the plan, the company is proposing to change its name to Ransomes.

The company intends to create four divisions: UK and European manufacturing and distribution of professional grass machinery; US manufacturing and distribution of professional grass machinery; UK and European manufacturing and distribution of consumer products; and property development activities.

UK COMPANY NEWS

Templeton to launch Emerging Markets Inv Tst

By Nikki Tait

A NEW investment trust, specialising in "emerging stockmarkets" ie being launched by Templeton, Galbraith & Hansberger, the Nassan-based fund management group. The managers plan to raise £30m, ahead of expenses, via an offer for subscription.

The aim is to provide capital growth by concentrating on a range of emerging markets. Intially, the fund managers – headed by Mr Mark Mohins, based in Hong Kong – say that they feel the countries offering greatest potential for investment are Argentina, Brazil, Greece, Indonesia, Malaysia, Mexico, the Phillipines, Portugal, Singapore and Thailand.

The size of fund suggests that the number of stocks would be restricted to the 60-80 range. However, the prospectus for the Templeton Emerging Markets Investment Trust contains a list of almost 80 countries where the managers will explore investment opportunities – including far-flung exotica like Chad and Nepal. However, securities not listed on any recognised stock exchange cannot amount to more than 25 per cent of the portfolio.

TGH already manages Templeton Emerging Markets Fund, a US closed-end fund listed on the American Stock Exchange, with net assets of around $118m, and has total mutual funds under management of over $8bn. The annual management charge on the new fund will be 1.25 per cent.

TGH says it has adopted an investment trust structure for the current fund because the closed-end structure – where short-term pressure to raise liquidity does not occur – is more suited to investment in illiquid stockmarkets.

However, the capital structure of the trust is slightly unusual in that it comprises 15m ordinary shares and £15m-worth of 1 per cent unsecured loan stock 2001. Investors can subscribe for units comprising one ordinary ehare and £100p nominal of the loan stock at 200p per unit.

There will be a five-yearly vote on whether the trust should be continued in its original form, and the convertible stock may be bought in if it trades at a discount to underlying net asset value.

Moreover, for the first three years, the trust will actually tender for 20 per cent of the convertihle stock at a price determined by the directors.

The issue is being sponsored and underwritten hy Kitcat & Aitken. It will raise £28.9m net of expenses.

CRH in $40m joint venture

By Andrew Taylor, Construction Correspondent

CRH, the international building materials group and one of Ireland's biggest companies, has entered into a $40m joint venture to acquire two concrete block companies in Arizona in the south west of the US.

The companies are Arizona Block based in Phoenix, and Snperlite Buildera Supply of Phoenix, Tucson and Flagstaff.

CRH paid $10m for its 50 per cent of the joint venture, renamed Superlite Block. The other shareholders were Mr Mo and Mr Jim Blasdell, and Mr Max Graves who contributed Arizona Block.

The balance of the funding, $20m, was provided by non-recourse bank finance. Superlite waa acquired from Kaiser Cement Corporation for $23m.

Last year about 30 per cent of CRH's pre-tax profits of I£63.35m (£52.98m) were generated in the US, compared with 22 per cent in Ireland, 24 per cent in the UK and 24 per cent on the Continent.

Vimto writes off Alimenta loans

By Lisa Wood

ALIMENTA, a supplier of catering packages in which JN Nichole (Vimto), the soft drinks group, has a minority equity stake, is to cease trading.

Nichols had made loans to Alimenta, amonnting to £1.42m. It is expected that these loans and the investment will be fully written off.

Alimenta was set up in the mid 1980s and provides freezers, stocked with portioned foods, to the pub and catering trade. A slower-than-expected rate of installation, and uncertainty over the length of time required to achieve an adequate return led the board of Alimenta to cease trading.

Current trading in Nichols is above the board's expectations and the sustained spell of warm weather is providing particularly encouragingtrading conditions. Nichols made pre-tax profits of £6.55m (£5.96m) for the year to December 31.

Optometrics profits rise 77% to $325,000

By Vanessa Houlder

OPTOMETRICS, the US optical systems specialist traded ou the USM, yesterday reported pre-tax profits of $325,000 (£204,403) for the year to March 31, which represented a 77 per cent increase on the $184,000 of the the previous year.

Sales increased by 13 per cent to $3.27m ($2.9m). Its operating debt fell by $170,000 to $400,000 at the end of the financial year.

Mr Frank Denton, chairman, said the company was positioned to embark on an aggressive growth programme. It planned to launch a catalogue this year, which would help it market spectroscopic systems and components.

This improved result follows a chequered start to its career ou the USM. After reporting annual pre-tax profits of $502,000 in 1985, the year it joined the market, it made a loss of $326,000 in 1986. The shares, which had an issue price of 55p, were unchanged yesterday at 22p.

The company, which has factories in Massachusetts and Leeds,makes optical instruments; subassemblies and components for use in analytical, medical instruments and lasers.

Earnings per share rose from 1.6 cents to 2.3 cents. The company said it was inappropriate to pay a dividend in view of the resources required for its expansion plans.

Blenheim buys more Swiss exhibitions

By Vanessa Houlder

Blenheim Exhibitions Group, USM-quoted exhibition organiser, has made a further move into Switzerland where it has conditionally agreed to buy the rights to two exhibitions for a maximum of SFr20.58m (£7.35m) in cash.

It is buying SITEV, a Geneva-based exhibition for vehicle manufacturer anppliers, and Technobank, a banking and finance technology exhibition.

Pre-tax profits from both exhibitions are warranted to be not less than SFr4.88m in 1990. They have nil net assets. As a result of the size and limited financial information available on the exhibitions, the acquisitions are conditional on shareholders' approval.

Castle Comms pays £3m for record catalogues

By John Ridding

CASTLE Communications, the USM-quoted record and video company, is to acquire the PRT and Bronze record catalogues from Precision Records and Tapes and Legacy Records, respectively, for a total of £3m.

The catalogues inclnde the rights to master recordings by over 100 artists ranging from Motorhead to Lonnie Donegan and orchestral works conducted by Sir Adrian Boult.

Castle said the acquisitions would provide euhstantial income streams from sub-licensing to other record companies and from royalties from public performances. In 1988, PRT returned net royalty income of £514,000 while Bronze achieved £70,000.

The purchase is to be financed hy a vendor placing of £2.25m of ordinary shares and £750,000 of deferred cash consideration.

Mr Terry Shand, execntive chairman, said that trading in the current year continued strong. The company has recently entered into arrangements to acquire distribution rights to a package of films from 21st Century Film Corporation.

Bromsgrove £6m purchase

Bromsgrove Industries, the engineering and financial services group, has agreed to pay £6.06m for Birmingham Battery and Metal Company, a manufacturer of copper and copper alloy sheet and plate and hot brass stampings.

In the 15 months to March 31, operating losses at Birmingham Battery and extraordinary costs associated with the closure of a tube manufacturing business are estimated to have amounted to £2.8m in aggregate.

Birmingham Battery has agreed to sell 15 of 33 acres of freehold land it owns in Birmingham for £6.2m. The balance, plus a warehouse in Glasgow, has been valued at £2.8m.

● Bromsgrove has also conditionally agreed to purchase Alpha Zinc, a private Walsall-based maker of high specification zinc alloys, for £2.19m – £1.34m cash and 594,406 shares. In six months ended March 31 1989 Alpha's profit was £250,000 on turnover of £2.6m. Net assets £670,000.

Australian buy for Rentokil

RENTOKIL, the pest control and environmental eervices group, has expanded its interests in Australia with the ecquisition of Roots Indoor Plant Hire.

The company was purchased from Sydney-based G&B Industrial Services for £200,000 in cash.

Eight months ago Rentokil paid £3.3m for Green Fingers Garden Centre, a tropical plant business also situated in Sydney.

The two acquisitions have consolidated Rentokil's position in the Sydney market as a leading tropical plant rental and maintenance company.

The Roots business will be integrated with Green Fingers to increase the geographical spread, customer base and profitability.

Rentokil, which also leads the tropical plant rental field in the UK and the US, recently added to its British interests in this sector via the acquisitions of ALP Environment, a York-based company, and Maintain Interior Planting, of Edinburgh.

BBA well ahead

BBA Group, the wholly owned subsidiary of Automotive Products, reported pre-tax profits up from £2.9m to £24.2m, on turnover of £304.4m (£277.5m) in 1988.

Moving away from the platinum influence

Kenneth Gooding reports on Johnson Matthey's plans to sustain reasonable growth

JOHNSON Matthey, the world'a largest pletinum refining and marketing organisation, is at the crossroads again. The gronp was hrought to its knees hy the financial collapse of its banking subsidiary in 1985, made a remarkahle recovery and is now poised for further growth hy way of a major acquisition.

But Johnson Matthey's future will be decided not only hy Mr Eugene Anderson, the chief executive, and his team but also by the attitude of the Anglo American Corporation of South Africa and its Luxemhonrg-hased investment vehicle, Minorco.

The failure of Minorco's £3.5bn hid for Consolidated Gold Fields, the UK diversified mining group, has turned the City's attention towards other plums in its portfolio – and JM is one of the more juicy.

Mr Anderson has a very clear idea of where he wants to take his group. He says be is ready to spend "several hundreds of millions of pounds" on an acquisition to lessen the company's dependence on platinum group metals.

"When the platinum price moves, so does our share price. I want another division which doesn't dance like a puppet on a string when the platinum price moves," he says.

JM has ready about £350m in cash and unused horrowing facilities and would he prepared to issue a big tranche of shares for the right business.

But the qnestion is would Anglo American be willing to ease its grip on the UK company, which is a strategic part of the platinum network operated hy the master company in Mr Harry Oppenheimer's empire.

That network includes Rustenburg, by far the higgest of the South African platinum miners, which is 37 per cent owned by Anglo. JM has the exclusive marketing rights to Rustenburg'e output.

Anglo's influence on JM is via a chain which includes Minorco (60 per cent owned hy Anglo) and Charter Consolidated, another UK investment company, (36 per cent owned by Minorco). Charter owns 36 per cent of JM.

Anglo's control of world platinum production, marketing and fabrication does not end there. Minorco also owns 30 per cent of Englehard, e US company which handles most of the metal from South Africa's other major platinum producer, Impala.

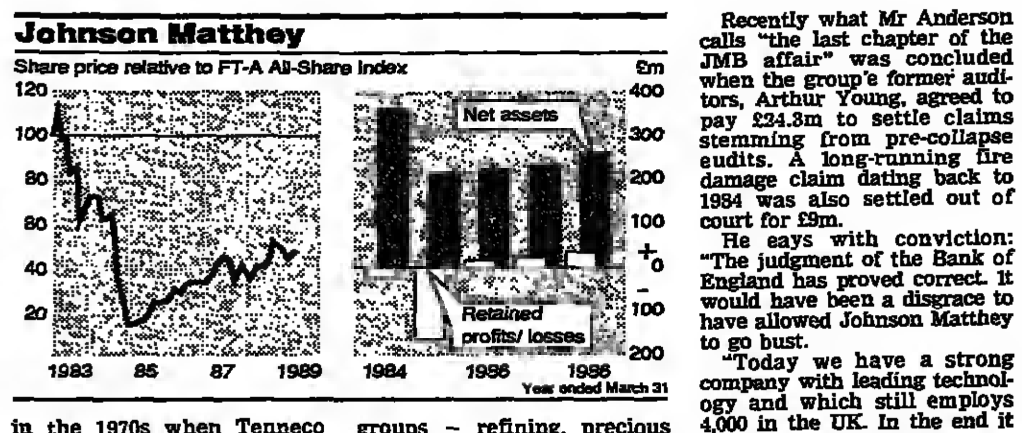
Many analysts assume that Anglo would not want its influence on JM diminished by a dilution of Charter's shareholding through the issue of shares for a hig acquisition.

Mr Anderson seems determined to test Anglo's resolve. He says that acquisitions are necessary, not only to lessen JM's reliance on platinum group metals, but also so that the company can continue to grow at a reasonable rate.

JM has recovered remarkably since 1984 when the collapse of its subsidiary, Johnson Matthey Bankers, threatened the whole group. The Bank of England bought JMB for a nominal £1 and JM suffered an extraordinary loss of £152m for 1984-85.

The severe problems caused by JMB obscured the fact that a substantial expansion of the platinum division into jewellery fabrication in the UK and the US had also gone hadly wrong. Losses on the US venture totalled £100m in 1984-85, e big setback for a group which then had a net worth of £300m.

Charter recruited Mr Anderson from Celanese Corporation in June 1985 to turn round JM. He is a tall, laconic American who became known in the UK in the 1970s when Tenneco twice sent him to sort out troubled British subsidiaries.



A chemical engineer with a Hsrvard MBA, Mr Anderson was offered a potentially lucrative, performance-hesed contract to join JM. The group'e 1988 report shows he was paid £213,843 in salary (up from £160,933 the previous year), owned 579,736 shares, currently worth about £2.3m, and held options on 490,580 more.

Since his arrival, JM has cut its debt from £485m to £20m; net profit trebled to reach £44.2m at the end of the 1987-88 financial year and market capitalisation has jumped from £95m to about £689m.

To achieve his objectives, Mr Anderson disposed of underperforming assets and a dozen subsidiaries were sold to bring in £70m. He reorganised 78 divisions into four. The workforce was reduced from 10,000 to under 7,000.

"We had a bunch of fiefdoms scattered round the world. Many were legal entities with their own boards of directors. We had in-house refineries competing against each other for the same contracts," Mr Anderson recalls.

He identified major product groups – refining, precious metals marketing, catalyst systems, colours and printings – and gave each one management team in charge of world-wide operations.

Managers et all levels were given the cbance to earn bonuses, financial responsibility was pushed down the line and "sensible" financial and business controls were put in place to get information quickly to the centre where a strong financial and information technology team had been installed.

Some wasteful practices were ended. Mr Anderson points in particular to the way that huge stocks of precious metals were held off balance sheet during refining and processing. They are now included on the balance sheets and managers must make an agreed annual return on them to earn boouses.

He gives two examples of how JM invested to save money. An outlay of £100,000 on s high-speed loom to produce platinum gauze saves £1m of metal e year. In the production of bigh-grade silver nitrate, a £300,000 investment liberated £11m of working capital.

Recently what Mr Anderson calls "the last chapter of the JMB affair" was concluded when the group'e former auditors, Arthur Young, agreed to pay £24.3m to settle claims stemming from pre-collapse eudits. A long-running fire damage claim dating back to 1984 was also settled out of court for £9m.

He eays with conviction: "The judgment of the Bank of England has proved correct. It would have been a disgrace to have allowed Johnson Matthey to go bust.

"Today we have a strong company with leading technology and which still employs 4,000 in the UK. In the end it seems the Bank will make a profit on the transaction. The taxpayer has not footed the bill. Johnson Matthey's shareholders did that when we wrote off £152m."

Mr Anderson praises Charter's "supportive" etance throughout the troubles, hut admits he cannot automatically count on that continuing. Minorco has started to reorganise Charter and Sir Michael Edwardes, Minorco's chief executive, has temporarily moved in as chief executive of Charter. Contacts so far with Sir Michael have been brief hut cordial.

Mr Anderson admits JM must settle for a more pedestrian earnings growth unless he finds the right acquisition. At the half-year stage, taxable profits showed a rise of only 3 per cent and analysts forecast that the full-year result, to be announced on June 15, will be between £65m and £66m, compared with £60.6m in the previous year.

As things stand, it may not be long before Anglo American has to decide between accepting a lower rate of growth from JM or seeing its influence diminished.

UK COMPANY NEWS

Acatos slides to £1m as margins squeezed

By Clare Pearson

THE DOWNTURN in the UK edible oils and fats industry hurt Acatos & Hutcheson even more during the first half, when its pre-tax profits plummetted from £6.89m to £1.09m.

The company said the reason for the squeeze on margins, which caused profits to grind to a halt during 1988, continued to lie in overcapacity in the British market which was compounded by fierce competition from European manufacturers. But there had also been difficulties with an internal restructuring during the first half.

One analyst said in the light of yesterday'a results, for the six months to April 2, he was halving *his* pre-tax *forecast* for the full-year to £4m. Tha announcement left the shares down 15p at 200p.

Acatos is, however, keeping the interim dividend at 3.5p and says the overall prospects for the second half are "considerably better than the first."

Mr James Weir, finance director, said he would especially look for an improvement in the dominant operation which provides own-branded fats and oils to supermarket chains, which lost £2m during the first half. Recent reorganisations had put right a loss of focus arising from rationalisations during 1988, he said.

The company is not expecting the edible oils factory in Seville, Spain, which it owns through a joint venture, to move into production until next year. This contributed a loss of £600,000 during the interim period.

The strength of sterling against the D-Mark took its toll on Acatos' trading margins while net interest payable rose to £1.32m (£842,000) on higher UK interest rates. Turnover was £134.17m (£125.54m). Earnings per share came out at 2p (14.3p).

Mr Weir said Acatos continued to stand by statements made by Mr Ian Hutcheson, chairman, at the annual meeting in February that no takeover proposals from third parties, or the *management*, had been received. Analysts then said speculation surrounding the company, where substantial share stakes are held by *directors* and other friendly parties, seemed ill-founded at this stage.

USH to sell Fernau Avionics for £4.25m

By Clay Harris

UNITED SCIENTIFIC Holdings, the financially troubled defence equipment group, is to sell Fernau Avionics to management for £4.25m, less than two years after acquiring the manufacturer of ground navigation systems and radio surveillance equipment.

The disposal price is less than the £7.5m USH paid for Fernau and the £6.3m balance-sheet value of the subsidiary's assets at September 30 1988. However, USH is retaining, and plans shortly to sell, property valued at £3m. Fernau has also paid its parent about £700,000 in dividends since 1987, not counting a special £2.75m payment included in the sale price.

Mr Nick Prest, who was appointed deputy chief executive earlier this month on the same day USH warned that it would report a loss for the current year, said the group had made a small turn on its investment in Fernau.

The dispesal, which was signalled in March when USH's agm was told that Fernau fell outside its intended core activities, was the only one envisaged at present, he said.

Fernau made pre-tax profits of £1.4m in the year to September 30, although Mr Prest said this figure included one-off property sales and disposals from an investment portfolio. The new management company, backed by 3i, will assume responsibility for a £1.5m payment due to be made to the original sellers on completion of a major contract.

Seaforth Maritime ships sold

By David Waller

JAMES FINLAY, the Glasgow-based international financier and trader, and Taylor Woodrow, the construction company, have sold the fleet of eight vessels belonging to Seaforth Maritime, their jointly-owned energy services company.

The eight ships are being sold to Sverre Farstad, e publicly quoted Norwegian company, for £18.7m compared to a book value of £15.8m at the end of last year. The payment will be in cash, to be paid in a number of tranches.

The ships are the principal trading assets of the loss-making Seaforth Maritime, 55 per cent owned by Finlay and 45 per cent by the construction company. In the year to December 1987, Seaforth lost £4m and is expected to have made a loss in 1988 as well.

Mr Richard Capper, a director of Capper, expalined that the divestment was made with the straightforward aim of reducing the group's exposure to the difficult oil services sector. The poor performance at Seaforth has been one of the reasons why Finlay's pre-tax profits have fallen from £23m in 1983 to £2.6m in 1987.

The company has recently been beset by bid speculation and *Elders Investments*, an offshoot of Elders IXL, emerged last October with a 5.77 per cent stake. John Swire & Sons, the Hong Kong-based trading group, holds 29.9 per cent.

GKN expands

GKN, the automotive components and engineering group, is to extend its industrial services operations in the US through the ecquisition of Foothill Tool and Equipment Rental, a plant hire business, for a total cost of $13.3m.

Pennant reports £199,000 loss

Pennant Group, the Norfolk-based leisure group traded on the Third *Market*, yesterday reported a move into the red in 1988, when it made e pre-tax loss of £199,121 against a pre-tax profit of £14,000 in 1987.

Turnover increased from £2.76m to £3.51m. The company blamed the loss on increased costs, such as spare parts for boats and coach engines.

There was an extraordinary debit of £78,533, representing the company's costs in joining the Third Market.

The result marks the third year of profits decline for the company, which saw pre-tax profits sink from £273,000 in 1985 to £129,000 in 1986. A final dividend of 0.2p is proposed, although the directors have waived their right to this.

Exceptional items boost Crown Comms to £3.79m

EXCEPTIONAL *CREDITS* of £2.25m, against £55,000 last time, were reflected in near trebled pre-tax profits of £3.79m from USM quoted *Crown Communications* in the six months to March 31 1989, compared with £1.3m on a pro-forma basis. Turnover rose from £9.39m to £10.19m.

The exceptional items comprised the net profit on the sale of the group's investment in certain radio stations and profit on the sale of freehold premises, less the cost of relocation to new offices/production facilities and development costs in relation to potential new business ventures.

Comparisions have been adjusted to reflect the merger of Crown TV and Crown Radio and the acquisition of the outstanding 41.8 per cent interest in LBC.

The company is paying an *interim dividend of* 1.5p - last year a single final of 3p was paid.

During the period the company has developed its production activities. These developments, together with European radio, will involve considerable overhead expense in the current year, but are expected to make valuable contributions to future earnings.

The business communications side substantially increased turnover in the half, although profit margins were not yet satisfactory.

SHARE STAKES

Changes in share stakes announced recently include:

Abtrust New Dawn Investment: Singer and Friedlander acquired 3.8m shares (22.177 per cent).

Alva Investment: ERI has lifted interest to 473,200 shares (27.04 per cent).

BOC Group: DH O'Connell Jnr, director, exercised options on 152,000 ordinary at 285p, and sold at 501p.

Brooks Services: 3i has disposed of its notifiable interest.

Carbo: W. Canning has ecquired 30,000 shares and has 659,000 (5.13 per cent).

City of Oxford: Olliff and Partners acquired 100,000 lifting holding to 2.06m, (10.25 per cent).

Fleming Mercantile Investment: JF Denholm, director, purchased 2,378 ordinary at 208p. Holding now 4,878 (0.003 per cent).

Gartmore Value Investments: Govett Strategic Trust has acquired beneficial interest in 5m shares and now interested in 10.05 per cent.

Hambros Advanced Technology: Hambros has bought 5.1m shares and lifted holding to 10.2m (52.53 per cent).

Hanson: Mr CGF Harding, director, exercised options over 122,998 ordinary at 26.7p and sold 61,108 of those at 199p. Now holds 125,000.

Heath (CE): Hambros has lifted its stake by 935,000 shares to 8.87m (19.34 per cent).

Investment Trust of Guernsey: Island Properties has acquired 115,225 ordinary by taking scrip issue instead of dividend. Total holding 5.57m (7.767 per cent).

Jacobs (JI): John Henry Jacobs has acquired 205,000 shares at 70.62p bringing holding to 3m (13.95 per cent).

Kerry Group: Ulster Investment Managers holds 2.69m A shares (5.8 per cent).

Macro 4: Scottish Amicable Investment Managers acquired further 35,000 and holds 1.92m (8.66 per cent).

Osprey Communications: Hill Samuel Smaller Companies Trust has acquired 66,305 and its total holding is now 539,918 (5.62 per cent).

Platon International: Quaestus SA bought a further 45,000 shares, increasing holding to 959,565 (14.45 per cent).

Savage Group: Nick Savage, chairman, has sold 600,000 shares at 177p and beneficial interest now 4.9m shares; David Brown, chief executive, sold 117,500 at same price and beneficial interest 800,000 shares. All shares sold to institutional clients of company's brokers.

Standard Chartered: PH Robinson, director, bought 1,000 ordinary at 540p. Holds 6,000 (0.002 per cent).

Telfos Holdings: Water Authorities superannuation funds sold 100,000 shares, reducing holding to 1.625m (9.61 per cent).

Throgmorton Trust: Equitable Life Assurance has purchased 1m ordinary and holds 20.1m (7.17 per cent). Prudential Corporationhas sold 1m shares reducing holding to 30.75m (10.98 per cent).

Titaghur Jute: John Brealey holds 15.29 per cent of preference.

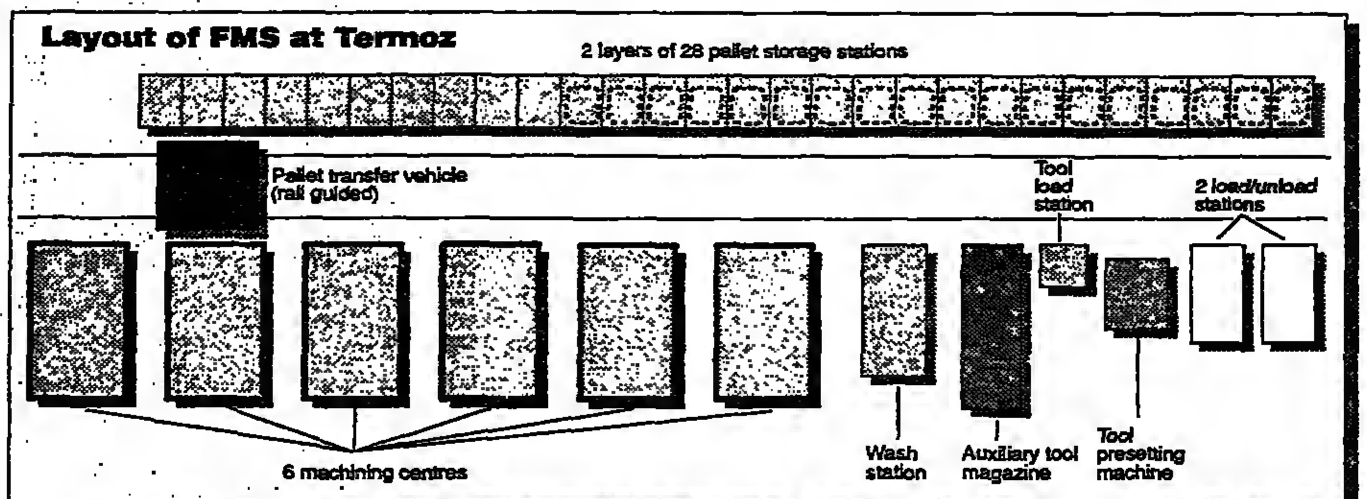
Tor Investment Trust: British Empire Securities and General Trust purchased 517,500 shares (20.63 per cent).

Woodington: Following his resignation from board, Mr Harold S Winton has disposed of his and his *family*'a *interest* in 2.63m shares. They have been placed with institutions and others including directors of company.

TECHNOLOGY

The healthy results of a little flexibility

Flexible manufacturing systems ought to suit the nimble ways of small companies, but the size of the investment and the expertise required often act as barriers to their installation. In these two examples of approaches to FMS, the main contrasts lie in the attitudes of the small organisations to continuous running and pay-back periods



A few years ago everyone was talking about flexible manufacturing systems (FMS). It was the only answer to small batch production, they said.

But people tried to jump too many technological hurdles at once and the acronym FMS started to be associated with expensive disasters. Today, it may not be the trendy catchphrase it was, but FMS is very much alive – and producing healthy results for many a manufacturing company. One such is Termoz, a small subcontractor based in Chassieu, near Lyon, in the Rhone-Alpes region of France.

Small batch production helps to provide the flexibility needed for just-in-time manufacturing, which involves producing only to customer order and eliminating stock.

The problem with small batches is the set-up time. Even with the most modern of machine tools, it can take several hours, or even several days, to prepare a machine before production can start.

The target of an FMS is to avoid this delay by separating the set-up operation from the machining process. While an operator at one station is preparing a pallet, its fixtures and the component for machining, machine tools at other stations are cutting the prepared components.

To keep production going continuously, an FMS has to incorporate tool stores, pallet stores and an automated cart that transfers the pallets between the different stations and stores. The whole operation is computer controlled.

With the automated equipment and the organising software, FMS is a big investment for a company. So although its flexibility makes it the obvious technology for small subcontractors, such as Termoz, few have adopted it.

A report by the United Nations Economic Commission for Europe indicates that investment in FMS requires strong financial resources and in-house technical expertise, both of which are mainly found in large companies. It quotes one estimate that in western Europe, companies with more than 1,000 employees account for more than 60 per cent of the accumulated investment in FMS. The same report indicates that two thirds of all FMSs produce less than 50 different components.

With only 190 employees and an FMS machining more than 120 components, Termoz is not a typical FMS user. The company was formed by the Termoz family in 1968 and the 1988 turnover was FFr 100m (£10m), an increase of 17 per cent over tha 1987 figure.

The business is entirely involved in sub-contract machining, the bulk of customers coming from the transport, textile machinery and armament industries. About 25 per cent of turnover is exported to the UK, Belgium, West Germany and Switzerland.

From tha beginning, Termoz invested in the most modern equipment. In 1973, it bought its first numerically controlled machine tool and since then about 50 more have been introduced. Most are linked to a central direct numerical control (DNC) computer, so that the machining programs can be downloaded electronically to the machine controllers without having to use paper tape.

However, almost every machine Termoz bought was different: different models, different makes, different numerical control systems.

By the mid-1980s, the company began to realise the error of its ways. Having a variety of machine tools meant that every job had to be prepared for a specific machine. This inhibited scheduling flexibility, resulting in delays and disorder whenever an unforeseen event occurred – such as a machine breakdown or a rush order.

But probably what affected Termoz's philosophy even more were developments in the market-place. Customers were changing their ways of ordering. Instead of placing orders for 250 per month, they were beginning to ask for 25 every two days, for example.

Today, about 60 per cent of output is processed in a just-in-time mode, with customers taking delivery of their orders in "time slots" every one or two days.

A crucial step in developing greater flexibility was to eliminate set-up times. Two decisions were made: to standardise on control systems from Fanuc, of Japan; and to install an FMS.

Few calculations preceded the investment. "A small company like Termoz doesn't have the resources to study and calculate pay-back periods. The need we had identified was enough for us to proceed with the investment," says Jean-Luc Bacher, export marketing director.

The company opted for one of the standard FMS solutions on the market, that of the Japanese machine tool company, Makino. As it needs only a small amount of tailoring, the technical risk is minimised.

The first phase of the investment, involving FFr 16.5m, was put into place in 1986. It involved three identical machining centres, a wash station, an extra tool magazine, a rail-guided pallet transfer truck, two load/unload stations and a 56-pallet storage rack. The truck takes pallets containing components or cutting tools between the load/unload stations, the storage rack and the machines.

Everything is under the control of a computer, which ensures that the cutting programs, cutting tools and parts are all in the right place at the right time. In the second phase, added late last year, a further three machining centres were incorporated.

Originally, the company had hoped to run the system unmanned for part of the time, but that has not been achieved. This is mainly because the FMS accomplishes so much work so quickly that unloading the completed work at the end of an unmanned period could become chaotic.

With an average machining time of 25 minutes per pallet, six machines can finish more than 12 an hour. Termoz has found it necessary to have three workers on the system at all times: one for loading and unloading pallets; one for inspecting completed components; and a third for supervision and preparing cutting tools.

Has Termoz done any retrospective pay-back calculations? There is no time for that, says Bacher, and no need. The FMS is kept busy 24 hours a day, seven days a week – except for a three-hour break each week for maintenance.

Before the latest three machines were added, the system had achieved a high efficiency rate with the machines operating for 85 per cent of their available time.

The company claims that from the moment a client places an order by telex it takes only 30 minutes before the FMS starts machining the component – provided that it is already "known" to the system. Previously, says Bacher, this would have taken two to three days and caused disruption.

Anna Kochan

How do you justify the installation of a costly flexible manufacturing system (FMS) when group head office has a rule, cast in stone, that capital investment must have a two-year pay-back time?

Hydrovane, the UK compressor manufacturer, says it has done this with a £3.5m investment in two machining cells as part of a complete reorganisation of its shop-floor. The cells each include four computer-linked cutting machines and a robotic vehicle moving along almost 40 metres of track, loading and unloading components.

The project, which will cost £4.5m, is not yet finished. The programme, at Hydrovane's site at Redditch, in the Midlands, is being monitored by auditors from the parent company, Sibie. Hydrovane says that it is on course to meet the tight pay-back deadline.

Mike Batchelor, Hydrovane's manufacturing director, says that conventional methods of costing should not be applied to sophisticated chunks of capital investment like FMS cells. However, the company's experience indicates that even on conventional grounds, expensive pieces of kit can meet high "pay-back" hurdles, if they are part of a wider reorganisation.

This experience is underscored by other examples in the UK, including a £1m FMS cell installed by Fritz Werner, the West German manufacturer, at Landis Lund, a machine tool maker in Keighley, West Yorkshire. Landis Lund claims that its FMS has paid for itself in three years.

Hydrovane, with sales last year of £30m, manufactures compressors ranging in price from £400 to £15,000. It claims a 25 per cent share of the UK market for portable compressors – the yellow, towable machines seen on building sites. Its main competitors include Sweden's Atlas Copco, Ingersoll Rand of the US, Broomwade of the UK, and CompAir-Holman, another UK subsidiary of Sibie.

In 1985 Hydrovane decided to reorganise its manufacturing. A broad plan was devised the following year and the first machinery installed in 1987. The 150,000 sq ft Redditch factory was redesigned to improve work flow: changing the location of the stores, delivery and despatch areas, introducing moving tracks into the assembly area and installing computerised testing equipment. All this will not be completed for another year or so, although both cells of the FMS system are up and running.

The machines, the carrying vehicle and the computer software were provided by FMT, the Brighton-based machine tool company formerly called KTM. The two cells are controlled by a Digital Equipment computer system and the machine controllers are from Siemens of West Germany.

One cell handles aluminium components like oil chambers, bell housings and manifolds. It machines 33 components with a total of 44 machining operations. The other cell machines cast iron parts like drive end covers and rotor stator units. This cell deals with 20 components and a total of 20 operations. The definition of an "operation" is broad. It might involve, for example, drilling and threading up to 60 holes.

Tool changing on machines is done automatically using a series of sensors to measure wear, bar codes to identify tools and a computer-run tool management system. None of these features are new to FMS, although FMT claims its tool changing system requires lower tool stocks than systems from West German and Japanese competitors.

Of the £4.5m, about £100,000 has been spent on training. As an example of job changes, Peter Hawkes, a 55-year-old former machine tool operator, now runs the computerised tool preparation programme, working with a Zoller tool setter, visual display unit and Digital computer.

Not everything has gone smoothly. The tool changing software is shared between the two cells and it took longer than expected to link them up. Hydrovane also continued its practice of pre-machining its bought-in rough castings before putting them on to the FMS. It has now decided it should feed the rough castings into the system directly.

The cells are also not linked up to the company's mainframe computer as some companies have done as part of a computer-integrated (Cim) system. "I don't know whether it is necessary," says Batchelor.

He also points to a way of costing the use of FMS cells which Hydrovane resists. The tendency is for factories to run flexible systems flat out to give a high measurement of work throughput. "All this does is build up inventory, producing material we don't necessarily need. We are treating the FMS as a fixed overhead."

He also says that measuring the cost of an FMS against labour saved is a useless task. "Labour is only 4 per cent of the company's costs anyway."

However, the company points to substantial improvements in business performance as a result of the FMS and the shop-floor reorganisation of which it is part. Without it, says Batchelor, the company would not have been able to meet a substantial growth in demand in the compressor market. It has been able to do this without seeking extra floor space, which would have been necessary if it had simply continued with numerically controlled machines.

The FMS allows the company to keep machining quality to plus or minus five microns (millionths of a metre), providing a much more consistent performance. It has also led to some one-off savings.

Hydrovane's most recently introduced products have been designed to make components easier to machine and handle on the FMS. But the main benefits of the FMS are part of the overall changes on the shop-floor. Hydrovane makes all its products to order and says it has reduced the time between ordering and delivery from three months to five weeks. The target is 20 days.

The company does concede that its assembly area is outdated, with piles of components lying on the floor. New tracks there should help cut the time from the finish of component machining to final assembly from seven days to one seven-hour shift.

By various means, including a much closer relationships with its suppliers, the company has raised its stock turnover from 3.5 times to 5.5 times per year. Foundries supplying castings, for example, receive a weekly schedule of Hydrovane requirements.

Batchelor says that it has been hard work. "It is an awful lot for one company to absorb in one slug."

And Hydrovane is discovering something that other medium-sized manufacturers have also come across after modernising their manufacturing. It needs to beef up the numbers of production engineering personnel to cope with operating a modern shop-floor.

Nick Garnett

COMMODITIES AND AGRICULTURE

EC farm ministers urged to accept NZ imports plan

By Tim Dickson in Brussels

MR RAYMOND MacSharry, the European Community's Agriculture Commissioner, has urged EC farm ministers to end the uncertainty surrounding imports of butter and sheepmeat from New Zealand.

In a tough statement at the Farm Council meeting which ended in Brussels last night, Mr MacSharry effectively ruled out any changes to the Commission's original proposals for imports between 1988 and 1992, and called on EC member states to approve them as soon as possible.

He said that re-negotiation was out of the question because of the April standstill agreement on subsidies reached in Geneva in the context of the General Agreement on Tariffs and Trade.

Mr MacSharry's letest comments will raise hopes in Wellington that the delicately balanced package agreed last autumn between the then Farm Commissioner, Mr Frans Andriessen, and New Zealand's Minister of Overseas Trade, Mr Mike Moore, will get the political green light at the next Farm Council in Luxembourg on June 19.

If so it will bring to an end the "roll-over" arrangements under which New Zealand butter has continued to enter the UK market in quantities based on last year's annual quota of 74,500 tonnes, and which ministers decided late on Monday night should now run until at least the end of next month.

No serious discussion of the difficulty had been expected this week because of Irish Government fears that the issue could be an embarrassment in the run up to the general election called by Dublin for June 16.

The question of New Zealand butter and sheepmeat access raises strong passions on both sides of the argument. The Wellington Government sees it as a litmus test of the EC's attitude to free trade, while egricultural iobbies in Europe say New Zealand farmers should be forced to share in the sacrifices they have been asked to make hy Brussels in recent years.

The deal between Mr Moore and Mr Andriessen involved a cut in the butter quota to 64,500 tonnes this year (with successive reductions in the following years) compensated hy a cut in the import levy from 25 per cent to 15 per cent.

On sheepmeat (where the current arrangements are enshrined in the Gatt), Wellington was prepared to accept a cut in the overall quantities for lamb on condition that the 10 per cent tariff wae suspended.

Reacting to those who said the Commission should go back and "do better," he pointed out that Brussels' proposal on sheepmeat "limits NZ's export possibility hy 40,000 tonnes, contains a firm and qualified commitment on chilled imports and includes a commitment to price discipline."

Further discussions had in fact taken place with Wellington hnt the interim agreement reached in April in the Gatt on agricultural trade "has implications for the hutter and sheepmeat sectors."

EC agrees action programme for forests

By Tim Dickson in Brussels

SEVERAL hundred million Ecus over the next five years will be spent on Europe's "wood chain" – shorthand for forestry and forest products industry – under a programme of measures agreed by European Community Farm Ministers in Brussels this week.

The so-called First Action Programme, which will run from 1989 to 1992, will be aimed partly at encouraging those who want to grow trees on former agricultural land. However, it will also encompass other objectives such as environmental protection and recreation.

Ever since it made its formal proposals last year, Brussels has heen keen to emphasise *that the programme should not* he seen as an attempt to astahlish a common forestry policy nor as an attempt to set up a market organisation in wood snch as exists for many agricultural commodities.

The measures are intended to be flexibie and therefore to respect and complement distinctively national forestry policies of the EC.

The programme was conceived largely within the context of the reorientation of the community's Common Agricultural Policy and the Commission's determination to stimulate the development of the rural world (including agriculture and other rural sctivities).

It has also been drawn up in the face of a market situation where the community suplies only half of its own timber requirements – a total of 115m cu m – and therefore carries the burden of an annual trade deficit varying from Ecu 15bn (£9.9bn) to Ecu 20hn. The expected increase in production on present estimates will fall short of the projected increese in consumption between now and the end of the century.

Community forests are *under-exploited and large areas* are subject fo serions damage from pollntion, fire, disease and storm.

According to forestry experts, the soil conditions and climate in EC forests are nevertheless better suited in many cases to forest production than those in the conntries from which European imports are supplied.

Under the new programme aid will be channelled to the development of forestry in special areas chosen for structural development, for forestry development on agricultural land (an annual premium of Ecu *150* per hectare will compensate farmers for loss of revenue), for tha reinforcement of environmental protection, and for a European Information and Communication System.

The final package was agreed on Monday after the final West German reserva*tions over processing and* marketing were resolved. It will involve a hudgetary contribution of Ecu 70m in the first year rising to Ecu200m by 1992.

The Community has 43m hectares of woodland, about 20 per cent of the total land area. Forestry employs ovar 2m people in wood production, harvesting, processing and marketing.

Britain stood to gain up to £6m a year under tha programme, through contributions towards the cost of the its Woodland Grant and Farm Woodland schemes, the Forestry Commission said yesterday.

Mr John MacGregor, Minister of Agriculture, *Fisheries* and Food, said: "This programme acknowledges the sense of the kind of schemes which Britain has been introducing. It has a number of useful objectives which are in line with existing UK policy. It recognises the contribntion that forestry can make as an alternative use of agricultural land and towards the protection of the environment."

Member states would now be able, in some cases, to seek reimbursement from Community funds of part of their expenditure in snpport of forestry (although this did not extend to planting carried out by governments themselves) and in other cases, to seek Community funding to supplement such expenditure, the Forestry Commission explained.

● The Chairman of the Forestry Commission, Sir David Montgomery, will outline the modern standards of forest landscape design practised by the commission and required of applicants for the Woodland Grant Scheme at the launch of the commission's publication "Forest Landscape Design Guidelines" in London today.

The launch will be attended by all six of the Commission's landscape architects together with *representatives of major* conservation bodies and leading members of the private forestry and landscape architect industries.

Tin pact expiry 'will not affect settlement'

By Kenneth Gooding, Mining Correspondent

THE EXPIRY on June 30 of the International Tin Agreement – under whose authority the International Tin Council operates – should not disturb the attempts *being made to* reach an ont-of-court settlement between the ITC cu.untries and creditors caught up in the 1985 collapse of the ITC's buffer stock operations. That was the view expressed by some delegates as the ITC met for a special session yesterday.

The meeting was called to consider *in good time the ITC's* legal position after June 30 and to ensure that it could continue to act effectively.

The current agreement has already been extended once by two years and a second extension is not permitted. However, the ITC can continue to operate under Article 60 of the agreement, which covers termination procedures and gives "pretty broad" powers, according to an observer.

Tha ITC working party that has been trying to work with creditors towards a settlement is due to meet again in mid-June. However, the two sides remain far apart over the question of compensation. Discussions are *unlikely to re-start* until after the next round of litigation begins on June 12 in the House of Lords, Britain's highest court of appeal.

The creditors claim they are owed £513m in principal and interest hut have indicated they would be willing to settle out of court for about £225m. A Thai official said last week that the ITC countries were prepared to offer only £150m.

ITC delegates see no prospect of an increase in the £150m figure and have rejected the idea that contributions from some member countries might be used to top up the offer. Creditors suggest that those who feel they have a strong legal case against the ITC would be unwilling to settle at the lower figure.

● Tin producing countries were not worried about US plans to increase sales of tin from its official stockpile from 5,000 to 7,000 tonnes a year from October, said Mr Lim Keng Yaik, Malaysia's Minister of Primary Industries, yesterday. As long as the US disposals were carried out in an orderly way, tin prices should remain firm, he said.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	+12,425	to 91,975
Copper	−17,800	to 113,625
Lead	−925	to 34,600
Nickel	+714	to 3,876
Zinc	+775	to 28,425
Tin	+5	to 5
Silver (oz).	+16,000	to 9,108,000

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,850-1,900 (1,900-1,940).

BISMUTH: Enropean free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.90-6.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 6.50-6.80 (6.85-7.00).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.45-7.65 (7.40-7.60).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 250-260 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.68-3.75 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 6.50-7.30 (6.70-7.40).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 51-64 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 7.30-7.60 (7.40-7.70).

URANIUM: Nuexco exchange value, $ per lb, UO, 10.70 (same).

Denmark's farmers count the cost of borrowing

High interest rates and European Community pricing policies are signalling the end of family farms

MR JON KRABBE looks more like an accountant than a farmer. Slim and dapper, be wears a goatee beard and a moustache. He does, however, run one of the higgest farms in Denmark and for the last five years has been chairman of the Danish equivalent of the Country Landowners' Association.

His 800 acre estate is at the western tip of the island of Lolland, which is connected by bridge to the southern end of Zeeland, and two bours' drive from Copenhagen. His high*quality alluvial soil runs down* to the sea where liners, submarines and merchant vessels constantly pass on their way between the Baltic and the North Sea.

However, Mr Krabbe spends three or four days of every week away from the farm representing the interests of his 1,200 members. In a country where the average farm is only a tenth the size of his own, it is not an easy job.

European Community policies, which have pushed down the prices of most arable crops by 25 per cent over the last four to five years, are making life difficult even for big, efficient farmers on the best land in Denmark, be told me. Profitability has been cut to a third of what it was in the mid-1980s.

I got the impression, however, that Mr Krabbe's farming was still reasonably healthy, mainly because of his success in cutting production costs. His labour, for instance, consisted mainly of students who lived in spare rooms of the enormous farm bouse and worked the farm under the supervision of a manager, a herdsman and a mechanic.

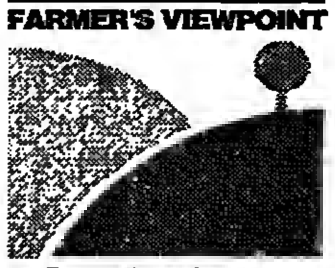
Mr Krabbe said that he enjoyed educating young people and that was undoubtedly true. However, the students were paid about half the normal wage of farm workers in Denmark and provided they did not do too much damage to *tractors and buildings*, were clearly a cheaper alternative.

The 130 dairy cows on the farm were kept inside virtually all year round and were fed entirely on the by-products of other crops or industries. Sugar beet leaves from his own and his neighbours' crops formed the basis of the ration during the autumn and early winter and wet sugar beet pulp (the remains of the root after sugar has been extracted) was made into silage for use during the rest of the year.

He also collected brewers' grains (the spent shells of barley left after the beer-making process) from Karlsberg ("probably the best cattle feed in the world"), waste from Denmark's highly developed fishing industry and almost anything else the cows would eat that was cheap.

One of the main ingredients

FARMER'S VIEWPOINT



By David Richardson

of his cattle feed, however, was straw from his own and his *neighbours' cereal crops. Chop*ped into short lengths it provided essential fibre; impregnated with ammonia gas it became a source of protein. His cows, he said, were yielding an average of 8,000 litres each per lactation, and given his low feed costs were clearly very profitable indeed.

But cereal straw – often an embarrassment in the UK – also featured strongly in other aspects of his farming. Mr Krabbe had installed an enormous furnsce to burn one tonne bails of the material to provide heat for his bouse, farm buildings and grain dryer. He also sold surplus bails to a nearby town where a centrally controlled community heating system was based on burning straw.

It is estimated that 15,000 of Denmark's 80,000 farmers heat their bouses in this way and that 40 Danish towns do likewise. They are encouraged to do so hy beavy taxes which represent 75 per cent of the price of fuel oils combined with exemption from tax for all items associated with straw burners.

Similar fiscal incentives have led to the installation of thonsands of wind-powered electricity generators whose propellers turn on towers atop almost every piece of high ground in Denmark.

This exploitation of renewable resources is of course con*sistent with the Green policies* that are sweeping across Europe.

Denmark has been at the forefront of such measures and farmers like Mr Krabbe are obliged to build concrete walls around their farmyard manure heaps to prevent leakage of effluent; to demonstrate that they have *storage* space for slurry (the liquid effluent from intensive livestock units) for up to nine months; and to spread both materials on the land only at times when it is least likely to be washed through the soil into drains and ditches.

Last year, plans to impose a tax on bagged fertilisers were discussed by politicians as a possible means of limiting nitrate pollution of water. But 20,000 farmers on Denmark's biggest island of Jutland demonstrated against the proposals and recent findings by the Economic Institute of Agriculture have indicated that farmers are responsible for less pollution than had previously been thought.

Threats of further restric*tions* based on pollution allegations or animal welfare worries have now apparently receded. As ona agricultural official in Copenhagen pnt it, "perhaps the people and the Government have realised that they had better stop shooting themselves in the foot."

He was referring in particu*lar to long-standing Danish* restrictions on the number of hens allowed in battery cages. This left Danish poultry farmers unable to compete with those in other countries where no such restrictions existed and had transformed Denmark from an exporter of eggs to an importer.

Nevertheless, Denmark remains the 10th largest food exporter in the world. This is remarkable for country with a population of just 5.1m. It is perhaps even more remarkable that this is achieved by an industry which is so heavily borrowed that in 1987, according to official government statistics, 65 per cent of the gross profit made by farmers went to pay interest charges.

Current real interest rates have fallen to 11 or 12 per cent, but many farmers – especially those under 35 – are saddled with 20-year fixed interest loans taken out to buy their farms or renew their buildings, and negotiated when rates were 18 to 20 per cent. It is estimated that up to half of Denmark's farmers only survive by becoming part-timers and taking other jobs.

One who had done just that told me he saw no future for the average family farm. His holding was 175 acres – more than twice the average for the country.

An official at the Agricultural Council, Denmark's *umbrella political organisation* for farmers, forecast that by the turn of the century there would be only 30,000 farmers in Denmark – a third of them specialist pig farmers, a third specialist milk producers and the other third arable.

All of which will probably be welcomed by Mr Krabbe and some of those be represents. He told me that he had always avoided borrowing money and that he would like to expand his farming enterprise.

Last week, the Danish Government relaxed a law which for the last 12 years had restricted the ownership of land to two farms per person. It will also be permitted for limited companies to purchase farms for an experimental period. The restructuring of Danish agriculture away from traditional family farms appears to have begun.

WORLD COMMODITIES PRICES

LONDON MARKETS

AN unexpectedly aharp fall in London Metal Exchanga stocks last week got the copper market off to a strong start yesterday. The bullish impact of the 17,800 tonnes fall to 113.625 tonnas was backed up by keen buying on the New York merket and by tha dollar'e strength, resulting in £100 riae to £1.697 a tonne in the LME'a cash quotation, *all but* making up the decline of tha previous two weeks. For tha dollar-denominated LME eluminium markat the dollar's strength was a bear factor, howevar, and prices continued last weak's slide, albeit at a mora modest pece. LME stocks were up sharply, by 12,425 tonnes to 91,975 tonnes, but the news was not unexpected and had little market impact. Cocoa continued Fridey'a *reaction* agalnat the *preceding strong* risa and the July futures position anded £29 down at £780 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.45-5.55v	+0.35
Brent Blend	$18.00-8.10q	+.675
W.T.I. (1 pm est)	$19.75-9.80v	+0.40
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$239-242	-2
Gas Oil	$146-148	-1
Heavy Fuel Oil	$89-92	+½
Naphtha	$161-163	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$362.25	-1.25
Silver (per troy oz)♣	520c	-5
Platinum (per troy oz)	$497.00	-6.75
Palladium (per troy oz)	$100.00	-1.25
Aluminium (free market)	$2110	-35
Copper (US Producer)	114⅝-119c	
Lead (US Producer)	36.5c	
Nickel (free market)	555c	-20
Tin (European free market)	$9900	+5
Tin (Kuala Lumpur market)	26.05r	-0.16
Tin (New York)	454.75c	-2.25
Zinc (US Prime Western)	85¾c	
Cattle (live weight)†	112.88p	-0.62*
Sheep (dead weight)†	209.91p	-33.90*
Pigs (live weight)†	84.83p	-0.48*
London daily sugar (raw)	$281.0u	-3.2
London daily sugar (white)	$348u	-2
Tate and Lyle export price	£291	+2
Barley (English feed)	£104.5w	
Maize (US No. 3 yellow)	£131.5q	
Wheat (US Dark Northern)	£129.25u	
Rubber (spot)♥	57.25p	+1.50
Rubber (Jul)♥	63.75p	+1.50
Rubber (Aug)♥	63.75p	+1.50
Rubber (KL RSS No 1 Jun)	260.0m	
Coconut oil (Philippines)§	$555z	
Palm Oil (Malaysian)§	$392.5q	-10.0
Copra (Philippines)§	$365	
Soyabeans (US)	£196.0	
Cotton "A" Index	78.05c	+0.10
Wooltops (64s Super)	017p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. q-Jun. x-Jun/Sep. w-Aug. z-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
May	765	807	799 760
Jul	760	809	810 770
Sep	194	817	813 788
Dec	842	856	846 830
Mar	846	853	846 834
May	848	854	846 840
Jul	861	870	860 850

Turnover: 9619 (16326) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily *price for May 26 1002.85 (1033.94) :10 day average for May 30* 963.61 (956.78)

COFFEE £/tonne

	Close	Previous	High/Low
May	1205	1219	1215 1190
Jly	1212	1208	1216 1204
Sep	1180	1171	1182 1182
Nov	1151	1148	1153 1137
Jan	1155	1148	1148 1139
Mar	1155	1150	1144
May	1155	1150	1144 1139

Turnover: 1495 (2398) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 26: Comp. daily 117.75 (117.20) . 15 day average 116.54 (116.28)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	248.20	249.20	251.40 246.80
Oct	248.40	250.00	251.80 246.80
Dec	247.00	249.00	245.00
Mar	242.00	244.00	244.20 242.00
May	241.60	242.80	243.00 242.00
White	**Close**	**Previous**	**High/Low**
Aug	340.50	340.00	342.00 339.00
Oct	320.50	321.00	322.50 318.50
Dec	313.00	311.50	315.00
Mar	300.50	301.00	303.00 302.00
May	299.50	299.00	
Aug	298.50	298.00	

Turnover: Raw 4413 (3452) lots of 50 tonnes. White 374 (1343).
Paris- White (FFr per tonne): Aug 2310 Oct 2151, Dec 2125, Mar 2055, May 2045 Aug 2030.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jul	17.55	17.26	17.55 17.37
Aug	17.24	17.01	17.24 17.11
IPE Index	17.31	17.58	

Turnover: 5680 (5281)

GAS OIL $/tonne

	Close	Previous	High/Low
Jun	144.00	143.75	144.75 144.00
Jul	142.25	142.25	143.00 142.00
Aug	142.25	141.75	143.00 142.00
Sep	142.50	142.25	143.00 142.50
Oct	144.25	143.75	144.50 144.25
Nov	145.00	145.00	146.00 145.00
Dec	146.00	146.00	146.75 145.50

Turnover 2102 (2823) lots of 100 tonnes

JUTE
June/July c and f Dundee BTC $510, BWC $540, BTD $455, BWD $485; c and f Antwerp BTC $485, BWC $475, BWD $430, BTD $440.

COTTON
Liverpool-Spot and shipment sales for the week ended May 26 came to 880 tonnes against 475 tonnes in the previous week. Trading was of a fairly high quality with various countries involved in sales including Israeli, West African and Mexican.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 17,050 tonne
Cash	2120-30	2130-40	2110	2110-1		
3 months	1980-5	1990-5	1990/1965	1975-80	1970-5	34,766 lots
Copper, Grade A (£ per tonne)						Ring turnover 21,660 tonne
Cash	1696-8	1596-8	1675	1674-5		
3 months	1696-7	1606-7	1697/1642	1676-7	1691-2	74,473 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	514-7	519-22		518-20		
30 June	517-20	523-6		521-3		266 lots
Lead (£ per tonne)						Ring turnover 4,600 tonne
Cash	409.5-10.0	414-6	414	413-4		
3 months	395-6	397-8	402/394	396.5-7.0	395-6	10,382 lots
Nickel ($ per tonne)						Ring turnover 1,524 tonne
Cash	12400-500	12550-750	12350	12350-400		
3 months	12050-100	12150-300	12150/11850	11975-2000	12150-250	7,577 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,325 tonne
Cash	1710-20	1750-60	1730	1730-5		
3 months	1615-20	1640-5	1645/1602	1625-30	1600-10	11,162 lots
Zinc ($ per tonne)						Ring turnover 5,900 tonne
Cash	1590-600	1620-30	1615	1612-5		
3 months	1540-5	1560-70	1570/1520	1560-5	1520-5	10,363 lot

POTATOES £/tonne

	Close	Previous	High/Low
Nov	103.0	101.0	102.0 99.5
Feb	118.0	116.0	
Apr	177.3	180.0	180.0 174.5
May	191.0	193.0	190.1 188.5

Turnover 437 (422) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Aug	148.00	148.30	149.00 148.00
Oct	149.50	148.50	149.50

Turnover 72 (96) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
May	1681	1675	1671 1670
Jun	1441	1463	1452 1437
Jul	1352	1375	1362 1351
Oct	1452	1462	1453 1450
Jan	1474	1490	1475 1470
Apr	1506	1535	1492 1490
Jul	1323	1330	
BFI	1626	1667	

Turnover 334 (286)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jun	112.30	112.20	111.85 111.70
Sep	105.20	105.00	105.20 105.15
Nov	107.65	107.35	107.55
Jan	110.65	110.40	110.65
Barley	**Close**	**Previous**	**High/Low**
Sep	103.40	103.35	103.40 103.35
Nov	106.25	106.20	106.40 106.20
Jan	109.20	109.15	109.30 109.20
Mar	112.00	111.90	112.00

Turnover: Wheat 52 (126), Barley 102 (61).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	112.5	112.5	
Nov	113.5	113.0	

Turnover 10 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	362-362½	232-232½
Opening	362¼-362¾	230¾-231¼
Morning fix	362.10	231.005
Afternoon fix	362.10	231.522
Day's high	362½-363	
Day's low	361-362	

Coins	$ price	£ equivalent
Mapleleaf	373-378	239-242
Britannia	373-378	239-242
US Eagle	373-378	239-242
Angel	373-378	239-242
Krugerrand	361-364	231½-231¾
New Sov.	85½-86½	54¾-55½
Old Sov.	85½-86½	54¾-55½
Noble Plat	499.25-507.25	318.70-323.80

Silver fix	p/fine oz	US cts equiv
Spot	332.80	521.85
3 months	344.55	534.70
6 months	358.45	547.45
12 months	379.40	572.90

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1900	209	181	21	67
2100	83	46	93	100
2300	23	14	231	340
Copper (Grade A)	**Calls**		**Puts**	
2450	204	214	18	68
2550	131	156	44	107
2650	75	110	88	158

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1150	76	80	18	52
1200	47	56	37	78
1250	20	38	60	110
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
750	40	60	10	19
800	13	32	33	40
850	3	15	73	73

US MARKETS

IN THE METALS, gold and silver markets were weak from selling against the Dollar rally, reports Drexel Burnham Lambert. Copper futures gained 250 points basis July following a etrong London market. In the softs, cocoa was again the most active market with over 11,000 contracts treded. The July futures lost 79c on carryover selling from last week. Sugar and coffee trading was featureless as both closed nearly unchanged. In the grains, sideways action was seen throughout the day with prices closing mixed. The livestock markets continued to decline with pork bellies posting the biggest loss. Last week'e larger rate of slaughter helped the July futures fall 160c. Hog prices sank as well with an increase in runs noted. Short covering helped firm up the cattle's oversold condition. The energy complex rallied on scattered buying with heavy July/August switch activity noted.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	365.7	365.9	366.8	363.7
Jul	367.0	367.6	0	0
Aug	369.7	369.7	370.5	366.5
Oct	373.7	372.6	374.0	370.3
Dec	377.8	376.5	377.9	373.8
Feb	381.8	380.4	378.0	378.1
Apr	386.0	384.5	384.0	382.0
Jun	390.1	388.6	387.5	386.2
Aug	394.2	392.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	503.6	501.7	505.4	496.5
Oct	504.4	502.5	509.0	498.5
Jan	506.1	504.7	503.0	501.3
Apr	509.6	508.2	505.0	505.0
Jul	514.3	512.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	523.0	525.5	521.8	520.0
Jul	526.0	530.5	528.5	523.0
Sep	537.1	539.0	537.5	532.0
Dec	549.8	552.2	550.5	544.0
Jan	553.5	556.1	550.0	550.0
Mar	562.0	564.7	563.0	557.0
May	571.0	0	570.0	566.0
Jul	579.8	582.5	577.0	577.0
Sep	588.5	581.5	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
May 29	May 26	mnth ago	yr ago
-	2008.6	2018.6	1806.7

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	134.20	133.69	136.62	132.96
Futures	132.68	132.74	136.75	134.11

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	113.60	111.20	113.80	113.40
Jul	114.50	112.60	116.40	114.00
Sep	112.80	110.70	114.30	112.40
Dec	111.70	110.20	113.00	111.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	19.86	19.52	19.87	19.48
Aug	18.67	18.72	18.68	18.63
Sep	18.40	18.36	18.41	18.25
Dec	17.64	17.77	17.80	17.80
Jan	17.50	17.80	17.64	17.64
Feb	17.40	17.66	17.62	17.45
Mar	17.39	17.42	17.45	17.45

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	4945	4920	4960	4920
Jul	4810	4807	4825	4770
Aug	4845	4632	4650	4790
Sep	4900	4897	4905	4870
Oct	4975	4967	4980	4935
Nov	5035	5037	5050	5010
Dec	5105	5107	5110	5075
Jan	5130	5127	5130	5105

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Jul	1141	1220	1189	1120
Sep	1166	1215	1194	1136
Dec	1191	1226	1204	1156
Mar	1196	1228	1206	1100
May	1207	1233	1207	1166
Jul	1223	1250	1219	1200
Sep	1236	1271	1253	1236

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	134.76	134.78	134.90	132.00
Sep	128.25	128.62	128.30	128.50
Dec	123.80	124.56	124.50	123.46
Mar	128.80	123.75	123.60	122.00
May	122.00	122.50	122.70	122.55
Jul	121.50	122.50	0	0
Sep	122.00	124.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	11.06	11.14	11.26	11.00
Oct	11.10	11.21	11.32	11.00
Jan	10.75	11.16	11.00	11.00
Mar	10.86	10.90	11.00	10.78
May	10.83	10.90	10.97	10.80
Jul	10.76	10.85	0	0
Oct	10.81	10.80	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.95	67.57	67.95	67.26
Oct	69.05	68.95	69.15	68.61
Dec	69.83	69.45	69.65	69.25
Mar	70.20	70.00	70.20	69.90
May	70.46	70.33	70.50	70.00
Jul	70.00	70.45	70.80	70.00
Oct	68.96	69.40	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	185.40	185.35	186.50	183.75
Sep	180.50	179.75	181.40	179.25
Nov	166.80	166.75	167.75	166.10
Jan	162.25	163.05	163.00	162.00
Mar	161.75	162.50	162.05	161.90
May	161.25	161.85	0	0
Jul	161.25	161.95	0	0
Sep	161.25	101.95	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	717/0	711/0	718/0	696/4
Aug	688/6	691/4	690/4	679/0
Sep	650/4	662/4	655/0	646/4
Nov	632/4	646/2	637/0	626/0
Jan	640/6	654/2	643/0	636/0
Mar	645/4	663/4	651/4	646/0
May	632/0	671/0	658/0	651/0
Jul	652/0	668/0	658/0	652/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.50	21.86	21.60	21.28
Aug	21.71	22.04	21.81	21.48
Sep	21.86	22.22	21.96	21.68
Oct	22.00	22.30	22.10	21.80
Dec	22.30	22.71	22.53	22.11
Jan	22.42	22.80	22.75	22.35
Mar	22.75	23.17	22.86	22.70
May	22.80	23.25	22.75	22.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	211.1	209.6	212.0	205.6
Aug	205.6	205.4	206.3	201.0
Sep	197.7	199.2	199.0	195.0
Oct	189.2	193.0	190.0	186.5
Dec	187.0	190.6	188.0	184.3
Jan	186.0	189.5	186.0	184.0
Mar	185.0	189.7	185.0	183.0
May	182.5	186.0	182.0	183.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	261/6	264/2	262/0	258/4
Sep	240/6	246/4	241/0	238/0
Dec	235/0	240/2	235/4	232/4
Mar	243/0	246/0	243/4	240/4
May	246/4	0	247/4	245/4
Jul	247/4	251/4	248/4	247/4
Sep	236/4	242/0	0	0
Dec	238/4	238/0	237/0	238/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	391/0	393/4	392/0	388/2
Sep	396/4	400/0	398/0	396/0
Dec	409/2	413/2	411/4	408/0
Mar	416/0	418/4	416/2	413/4
May	404/0	405/0	404/4	400/0
Jul	370/4	369/4	371/4	365/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	68.70	68.77	69.10	68.50
Aug	66.65	66.37	66.97	66.17
Sep	66.40	66.30	66.80	66.40
Oct	68.80	68.67	69.32	68.47
Dec	70.00	70.27	70.50	69.70
Feb	70.40	70.85	70.75	70.00
Jun	70.25	70.70	70.25	70.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.27	47.80	47.70	47.00
Jul	46.55	47.10	47.40	46.35
Aug	44.30	45.07	45.50	44.25
Oct	41.12	42.02	42.30	40.97
Dec	43.57	44.52	44.52	43.30
Feb	45.35	46.00	46.05	45.30
Apr	43.50	44.00	43.80	42.95
Jun	47.00	47.40	47.40	46.95

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	29.47	31.07	31.00	29.25
Aug	29.80	31.17	31.17	29.35
Feb	47.32	48.35	48.25	46.80
Mar	46.70	48.00	47.65	46.60
May	34.32	47.70	0	0

LONDON STOCK EXCHANGE

Share prices hit by fall in sterling

A SLUGGISH London stock market ran into trouble at the close of yesterday's session when a sharp dip in the sterling exchange rate drove the FT-SE Index down to test its current support level. Equity turnover was relatively light, however, as not all City securities traders managed to return to their desks after a fine Bank Holiday weekend.

The strength of the dollar, in the face of intervention by central banks as well as the widely-predicted rise in the Japanese discount rate, enabled some dollar earning stocks to edge higher in London. However, the broad range of the equity market was unsettled and finally depressed by the danger that sterling's weakness might provoke a further hike in UK base rates.

Account Dealing Dates		
*First Dealings:		
May 22	Jun 5	Jun 19
Option Declarations:		
Jun 1	Jun 15	Jun 29
Last Dealings:		
Jun 2	Jun 16	Jun 30
Account Day:		
Jun 12	Jun 26	Jul 10

*New time dealings may take place from 9.00 am two business days earlier

The FT-SE Index was in negative territory throughout the session, but rallied from a mid-morning fall of more than ten points when London money market rates seemed to remain impervious to the renewed setback in the sterling exchange rate. However, the Index fell again smartly later when a fresh dip in the pound took money market rates above the 14 per cent mark.

At its final reading, the FT-SE Index showed a fall on the day of 10.3 to rest exactly on the support level of 2,130 which had twice been broken during the session. The trading pace quickened in the final hour, lifting the day's Seaq volume to 458.4m shares compared with Friday's 463.1m.

"I don't know why the equity market is holding up so well," said Mr Bob Semple of County NatWest WoodMac as he surveyed the equity market at the end of the seseion. The renewed weakness in sterling has unsettled an equity market still coming to terms with last week's increase in UK base rates to 14 per cent. Whispers that rates might have to be raised again if the pound fell further were subdued last week by the relative steadiness of London money market rates. However, the whispers grew louder yesterday.

At Warburg Securities, Mr Ian Harwood outlined a broadly concensus view : "The UK Government will probably be very reluctant to lift rates again so soon. However, if the pound continues to fall, people will get very anxious".

Mr David Owen at Kleinwort Benson Securities took a stronger line. "Financial markets should not rule out 15 per cent or even 16 per cent base rates," he said in his Global Strategy Weekly, stressing that sterling "looks highly exposed".

Nonetheless, there was ready support yesterday for a batch of special situation stocks. Among currency-orientated shares, BAT Industries and Reuters strengthened while ICI, benefiting from the falling sterling/DM rate, continued its advance. An increased bid from Isosceles brought heavy trading in Gateway, the food retailing group.

FINANCIAL TIMES STOCK INDICES

	May 30	May 26	May 25	May 24	May 23	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.88	86.20	86.06	85.96	86.12	88.87	89.29 (8/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.82	96.91	96.87	96.89	97.33	98.63	99.59 (15/3)	95.83 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1765.3	1778.8	1777.3	1774.0	1767.4	1427.5	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	172.6	171.2	170.4	168.1	168.8	217.3	198.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	May 30	May 26	May 25	May 24	May 23	Year Ago
Ord. Dl. Yield	4.50	4.47	4.47	4.46	4.41	4.64
Earning Yld %(full)	10.90	10.82	10.83	10.81	10.72	11.93
P/E Ratio(Net)(☆)	11.11	11.18	11.18	11.20	11.25	10.26
SEAQ Bargains(5pm)	25,337	24,602	24,160	26,230	27,096	23,984
Equity Turnover(£m)†	-	1331.51	1233.75	1538.77	1483.87	1012.59
Equity Bargains†	-	26,750	26,169	28,886	36,018	26,488
Shares Traded (ml)†	-	495.5	458.2	599.3	519.5	366.5

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1775.7	1774.5	1773.5	1765.0	1767.3	1768.8	1771.7	1764.7

DAY'S HIGH 1775.7 DAY'S LOW 1763.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 11.02 †Excluding intra-market business.

S.E. ACTIVITY

Indices	May 26	May 25
Gilt Edged Bargains	98.4	108.9
Equity Bargains	173.3	169.6
Equity Value	2691.3	2483.7
5-Day average		
Gilt Edged Bargains	107.6	108.7
Equity Bargains	199.0	225.8
Equity Value	2884.5	3221.5

London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,800	167	-1½	Cookson	762	331	-3	Laporte	14	447	-4	Royal Bk of Scotland	99	380	-1
Allied-Lyons	1,000	439	-2	Courtaulds	419	344	-2	Legal & General	154	308	-3	Royal Insurance	832	400	-7
Amstrad	1,300	97	-3½	Dalgety	36	370	-3	Lloyds Bank	985	337	-4	STC	1,500	367	-12
Argyll Group	2,000	206	-2	Dixons	2,700	148	-4	LASMO	573	461	-3	Saatchi & Saatchi	1,400	320	+6
Ass. Brit. Foods	1,000	353	+2	Eng. China Clays	491	494	-5	Lonrho	858	272	-1	Sainsbury	1,800	239	
BAA	637	340		Enterprise Oil	273	548	-2	Lucas	811	628	-3	Scott & Newcastle	359	298	-5
BAT Inds.	4,500	566	+8	FKI Babcock	1,300	163	-2	MB Group	173	286		Sears	820	119½	-1½
BET	1,100	269	-2	Fisons	507	300	-1	MEPC	250	576	-7	Shell Transport	1,100	410	+1
BICC	486	503	-7	Gateway Corp.	104,00	204	+7	Marks & Spencer	3,800	188½	+2½	Siebe	284	514	+3
BOC	715	494	-1	General Accident	139	971	-4	Maxwell Comm.	51	193	-2	Slough Ests	220	312	-2
BPB Inds.	1,000	238	-4	General Elect.	3,000	239	-2	Midland Bank	741	335	-10	Smith & Nephew	925	134	
BTR	1,500	372	-5	Glaxo	477	1383	+2	Nat. West. Bank	1,300	589	-6	Smiths Industries	76	309	-7
Barclays	1,800	447	-6	Globe Inv.	57	177		Next	975	144	-4	Standard Chartered	589	524	-2
Bass	1,000	950	-10	Glynwed Int.	364	302	-2	Northern Foods	35	314	+1	Storehouse	177	174	-3
Beecham	534	624		Granada	772	349	+1	Pearl	537	395	-5	Sun Alliance	96	1105	-8
Blue Circle	1,400	598	-21	Grand Met.	2,220	539	-13	Pearson	168	710	-5	T&N	1,400	228	-3
Boots	1,100	289	-6	GUS A	487	1032	-13	P & O	386	664	-7	TSB	1,500	105½	-1
Brit. & Comm.	474	182	-6	GRE	406	206	-2	Pilkington	2,600	239	-6	Tarmac	2,000	330	-9
Brit. Aerospace	1,100	668	-14	GKN	712	389	-9	Plessey	822	264	-3	Tate & Lyle	1,200	263	
British Airways	3,900	202	+1	Guinness	2,300	484	-1	Polly Peck Intl.	343	295	-4	Taylor Woodrow	206	641	-7
British Gas	6,500	175	+½	Hammerson 'A'	3	784	-5	Prudential	634	178	-3	Tesco	1,700	174	-2
British Land	260	364	-3	Hanson	8,400	202½	+1½	RHM	422	448	-3	THORN EMI	1,800	699	-5
BP	2,900	309	+1	Harrisons & Cros.	182	175	-1	RMC	752	759	-14	Trafalgar House	1,700	373	-4½
British Steel	7,200	88½	-1	Hawker Siddeley	66	700	-13	RTZ	1,300	499	-1	Trusthouse Forte	3,200	322	-3
British Telecom	3,700	257½	-3	Hillsdown Hldgs.	3,000	267	-2	Racal	2,900	495½	-2½	Ultramar	576	304½	-½
Burmah Oil	281	594	+3	IMI	151	213	-2	Rank Org.	67	967	-10	Unilever	613	553	-1
Burton	3,000	217	-10	Imp. Chem.	1,000	1173	+12	Reckitt & Colman	463	1139	-10	United Biscuits	1,000	332	-2
Cable & Wireless	7,175	558	+3	Inchcape	998	281	-2	Redland	536	586	-12	Utd. Newspapers	404	435	-2
Cadbury Schweppes	711	347	-3	Jaguar	2,600	347	-10½	Reed International	1,800	386	+1	Wellcome	80	456	-1
Carlton Comms.	1,600	871	+1	Kingfisher	186	310	-4	Reuters	1,300	825	+18	Whitbread 'A'	472	339	-6
Commercial Union	515	368	-6	Ladbroke	1,100	596	-5	Rolls Royce	2,100	191	-1	Williams Hldgs.	1,800	259	-3
Cons. Gold Fields	111	1230	-8	Land Securities	699	577	-6	Rothmans	298	532	-4	Wimpey	363	285	

Direct deals in Gateway

Attention switched back to the food retailing sector after Isosceles increased its offer to 210p-a-share for supermarket group Gateway. The news sent Gateway shares to a high of 208p, before settling back to close up a net 7 at 204p. Although the new terms, which values the group at £1.87bn, had been widely anticipated by the market, many dealers were unhappy with the way in which the news was initially transmitted to the market.

For eight minutes the Stock Exchange incorrectly listed the new offer on the screens as 201p, which created confusion and a huge backwardation in the price with some traders aware of the mistake. To cap a bad day for dealers, although Isosceles doubled its 4.9 per cent holding in Gateway, the 47m shares were bought outside the market with broker Panmure Gordon picking up the stock direct from institutions. Hence, marketmakers did not participate in the bulk of the total 104m Gateway shares traded during the day.

As for Isosceles' final offer, there was a feeling that it could prove conclusive. The market is not expecting a third party to make a higher bid, say analysts, and it is thought likely that Mr Garry Weston of AB Foods, who owns 15 per cent of Gateway, and other institutional shareholders will accept 210p cash, or the alternative of 195p plus 15p-worth of Isosceles units. "It is a very serious offer, and it appears as if it could be enough at this stage," concluded Mr Bill Myers, analyst with Henderson and Crosthwaite.

Cables busy

Cable & Wireless (C & W) won the accolade for the highest turnover among front-line electronics/telecoms issues with some 7.5m shares traded. The shares were strongly supported all through the session, eventually settling a net 3 up at 558p with dealers and analysts noting the latest strength of the dollar.

Mr Jack Summerscale, electronics analyst at BZW, has raised his profits forecasts for C & W after the recent fall in the dollar/sterling rate from around $1.70 to $1.60. "Cable & Wireless is a dollar stock," said Mr Summerscale, "There are automatic upgrades when the dollar performs strongly, and this is a technical change to allow for the exchange rate movements." For 1990 the BZW analyst has increased his forecast from £500m to £534m; his figure for 1991 is £665m.

C & W have been one of the market's most active stocks in recent weeks, with the impetus from foreign exchange markets offset over the past week by worries triggered by events in Peking and Hong Kong. C & W's preliminary results are expected on June 14 with Panmure Gordon going for pre-tax profits of £426.5m against last time's £356m.

TV Times acquired

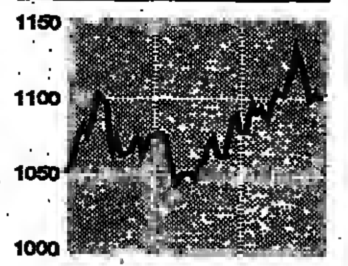
Reed International's acquisition of the UK television listings magazine TV Times for £113m (excluding a £10m presale dividend and further royalty payments) received a cautious welcome in the market — "I think that it's a very reasonable price, but it does reflect the uncertainties surrounding the monopoly on television listings that TV Times currently has with Radio Times." Analysts believe that profits from the 3m circulation magazine will suffer when the Government, as looks increasingly likely, allows other publications to list British television schedules.

However, in light of the purchase BZW has increased its forecast of Reed profits for the coming year by £12m to £300m, but for the moment the broking house will not be changing its present recommendation to investors to hold the stock. At the close Reed were up 1 at 386p on turnover of 1.8m shares.

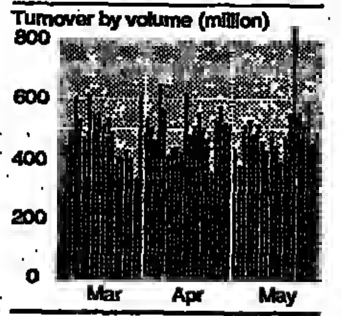
Drexel Burnham Lambert were said to be buyers of BAT ADRs late on Friday and the stock opened up 10 yesterday. Business picked up and the stock held on in the dismal market to close up 8 at 566p. "The rise was due to US currency arbitrageurs," said Mr Paul Burke, analyst at Kleinwort Benson.

The oil and gas sector held up well in the face of the widespread weakness in equities. The resolute showing was, according to dealers, prompted by the slightly better closing trend in crude oil prices which edged up ahead of the full meeting of OPEC ministers in Vienna.

FT-A All-Share Index



Equity Shares Traded



Once again it was British Gas that topped the turnover list, although yesterday's 6.5m was well below the 11m and 19m figures recorded last Thursday and Friday. Gas shares settled a fraction harder at 175p as the recent big deals in the stock were tidied up.

Profits upgradings instigated by the oil team at BZW helped bolster BP and Shell. BZW has lifted its forecast for BP by £100m to £1,440m and for Shell by £175m to £3,825m, on a replacement cost basis, and reckon there is the potential for 10 per cent to 15 per cent upside in the majors. BP remains the BZW favourite reflecting the oil company's "high gearing to oil prices and the strong dollar."

The "State of siege" declared by the authorities in Argentina prompted another bout of nervousness in the banking sector. Midland, perceived to have the biggest exposure to Argentina, dropped 10 to 335p, Lloyds 4 to 337p, Barclays 6 to 447p and NatWest the same to 589p.

The banks team at Citicorp Scrimgeour Vickers said an increase in loan provisions from current levels of around 40-45 per cent to the 60 per cent level, the maximum of the Bank of England'e matrix, by the big-four would cost Midland some £133m, Lloyds around £83m, Barclays £47m and NatWest £35m.

The insurance areas were sadly lacking in turnover, according to one dealer. But Sedgwick provided plenty of interest early in the session following better than expected first quarter figures. Sedgwick shares closed 5 firmer at 265p.

Magnet shares extended last Friday's weakness, retreating a further 17 to 280p amid fears that the management buy out may well be in serious "Without the bid, which closes on June 9, the shares will almost certainly drop to something like 240p," said one dealer.

Anglia Seeure Homes slumped to 239p immediately following news of the resignation of Mr J.D.Moonie, one of the founder directors of the company and the owner of 340,000 Anglia shares; but the shares subsequently rallied to close a net 31 off at 245p as it became apparent that Mr moonie resigned because of his association with another company soon to join the USM. Anglia's interim figures are expected on Tuesday.

Stores remained in the doldrums, although there were two bright spots in Marks & Spencer, up 2½ at 188½p, and Etam, up 3 at 184p. Shortages of stock were thought to have been behind both gains. Going with the trend, Burton dropped 10 to 217p after a month of rises, Ward White slipped 7 to 302p on the lack of bid news, and Next lost 4 to 144p. Kingfisher fell 4 to 144p after a visit to County NatWest WoodMac ended with the broker trimming its forecast for 1989/1990 profits to £200m. Analyst Ms Joan D'Olier blames continuing poor diy and electrical sales for the downgrade.

Among second liners European Home Products tumbled 33 to 169p after a warning from the company that profits for the second half of 1989 will be "significantly below" last year's.

British Telecom extended their recent slide, closing a further 3 off at 257½p on what traders described as pretty meagre turnover of 3.7m shares. The market was unsettled by persistent talk of 13 per cent wage claims by the engineering trades unions. Telecom's preliminary results are expected on Thursday with Mr Robert Pringle at Hoare Govett forecasting pre-tax profits of £2.5bn compared with last time's £2.3bn.

There were hints in the market that the figures could be accompanied by news of price increases to be put in place after the constraints on call charges are lifted in July. A figure of 4 per cent on call charges was mooted in the market with another analyst talking of perhaps only 1 per cent on call charges and possibly as much as 10 per cent on line rentals.

Some aggressive profit-taking lowered STC 12 to 367p on turnover of 1.5m shares while recent high-flyer Racal Electronic marked time with a minor decline at 495½p on 2.9m.

Amstrad fell back below the 100p mark, ending the day 3½ off at 97p on 1.3m, while whispers of further stakebuilding by Swiss arbitrageurs, possibly associated with Doctor Tettamanti who is said to speak for some 8.7 per cent of Unitech, helped the latter improve 4 to 355p.

News that IEP Securities, run by Sir Ron Brierley, the New Zealand entrepreneur, was making a tender offer for the sale of its 29.2 per cent holding in Molins, added to recent weakness, left the shares a further 8 lower at 200p. There was, however, said to be little selling pressure. "Marketmakers with stock are trying to find a level," said one dealer.

A press report that Vickers might bid for Astra Holdings seemed to be ignored by the market. The former slipped 7 to 207p and the latter lost 3 to 166p. "It wouldn't fit in with Vickers' strategy," said an analyst.

Dealers were caught by surprise when William Cook posted doubled full-year profits, and eps sharply better at 36.3p against 13.8p. There had been no speculative buying ahead of the figures, complained one dealer. The shares ran up 30 to 297p.

Profit takers in British Aerospace combined with the negative market-wide sentiment. BAe fell to 666p before closing a net 14 down at 668p.

Jaguar touched 344p before recovering to 347p, still a net decline of 10½. Friday's excitement over suggestions of a bid from Ford gave way to the realisation that nothing would happen in the short term. Dealers were confident that the flurry would have a lasting effect. "The trading range used to be 290p to 320p, now it's 320p to 350p," said one senior dealer.

After hanging on to 90p last week, described then as the support level, British Steel succumbed to downward pressure and shed a penny to 89p in moderate volume.

Kleen-E-Zee, which last week plummeted on figures, recovered on renewed suggestions that the company might agree to be taken over. Similar talk stimulated buying earlier this year when the price was more than £3, said a dealer. There was also a shortage of stock; "some investors hold shares bought at 550p in a rights issue," said a dealer. "And they are hanging on."

Lyon and Lyon said that it was in bid talks and the price duly jumped 37 to 330p.

A B Foods added 2 at 353p following news of an increased offer for Gateway, the supermarket group in which ABF has a 15 per cent interest.

Acatos & Hutcheson, the edible oils manufacturer, dropped 15 to 200p after reporting half-yearly profits of £1.1m, against £6.9m at the same stage last year.

Eurotunnel Units firmed another 72 to 1149p while the Warrants climbed 7 to 89¼p. French buying was again said to be behind a stock shortage in London.

News that Mr Mike Luckwell, once MD of Carlton Communications, had raised his stake in WPP to 5.04 per cent boosted the latter by 23 to 673p. Dealers pointed out that there was also an element of recovery in the rise: the shares' decline since touching 763p in March was partly a reaction to its $864m bid for the New York-based Ogilvy Group, now proceeding smoothly.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (140).
AMERICANS (36) CANADIANS (4) Asiamerica, Bow Valley, Corona, Hudson's Bay, Island Gas, BUILDINGS (2) Douglas (Robt. M), How Grp., CHEMICALS (3) STORES (1) Benlaila, ELECTRICALS (6) ENGINEERING (7) FOODS (3) Bensons Crisps, Bio-Isolates, Gateway, INDUSTRIALS (29) Alfa-Laval, Barry Wehmiller, Baxter Intl., Bespak, Boot (Henry), CSR, Caparo Inds., Carbo, Eurotunnel Units, Do. Wrrnts., Expamet Intl., Fuel Tech., Grafton, Handley-Walker, Hanson 4¼pc Pf., Hawthorn Leslie, Hunting Assoc., Nu-Swift, Rolfe & Nolan, Schlumberger, Securicor, Do. "A" N-Vtg., Security Services, Smithkline Beckman, Toye, Unilever, Unlock, Waterman Partnership, INSURANCE (7) LEISURE (6) MOTORS (2) Dagenham Motors, Lyon & Lyon, NEWSPAPERS (2) News Intl. Spec. Div., Trinity Int., PAPERS (4) Barker (Charles), Crown Comms., Lopex, More O'Ferr., Scott Paper, PROPERTY (1) Merivale Moore, TRUSTS (15) OILS (8) MINES (2) De Beers Dl., Minorco, THIRD MARKET (2) Ivernia West, Medirace.
NEW LOWS (36).
BRITISH FUNDS (3) Exch. 10¼pc Cv. 89, Tr. 10pc Cv 90, Tr. 13pc 90, INT.BANK & O'SEAS GOVT. STLG. ISSUES (2) Australia 11¾pc Ln. 2015, Do. 13½pc 2010, STORES (3) Beattie (J) "A", Euro Homes Prods., Usher (Frank), ELECTRICALS (4) Ferranti Hldgs., Nth. Telecom, Optim Grp., Prestwick, ENGINEERING (1) Molins, FOODS (2) Hughes Food, Matthews (B), INDUSTRIALS (5) Cannon St. Invs., Dolphin Pack., Kingsgrange, Metal Closures, Wills, INSURANCE (1) Abbey Life, PAPERS (2) Brunning, Filofax, PROPERTY (1) Sallmanns (U.K.), TEXTILES (2) Leeds Gp., Palma, TRUSTS (3) Brit & Comm., River & Merc. Stepd. Pf., Siam Fd., OILS (1) Meridian Oil, PLANTATIONS (1) Moran, MINES (5) GM Kalgoorlie, Gencor, Kalbara Mln., Mid Wits, Waverley Mining Finance.

APPOINTMENTS

Briton to be managing director of Nissan UK

Mr Ian Gibson is to take over as managing director of NISSAN MOTOR MANUFACTURING UK, the car assembly subsidiary of Nissan Motor of Japan, writes Kevin Done, Motor Industry Correspondent.

Mr Gibson (42) has been the driving force behind Nissan's development of a 200,000 cars-a-year assembly plant at Sunderland in north-east England, the first car plant to be built by a Japanese vehicle maker in West Europe.

He joined NMUK in 1984 as purchasing and production control director following a 16-year career with Ford in both the UK and West Germany. He was programme manager for the Ford Escort and Orion car lines responsible for production in Halewood in the UK, Saarlouis in West Germany and Valencia in Spain.

Nissan is investing around £610m in the Sunderland plant, one of the biggest inward investments ever made by a Japanese company in West Europe.

Mr Gibson was appointed deputy managing director of NMUK in 1987 and will take over as managing director next month.

Mr Toshiaki Tsuchiya, managing director of NMUK for the past five years, is to return to Japan as president of Aichi Machine Industry, a Nissan associate company which produces commercial vehicles and automobile engines.

Mr Gibson is to be replaced as deputy managing director by Mr Toshihiko Sekine, NMUK engineering director since January 1986. There are now only three Japanese members of NMUK's 37-strong management team.

Mr Gibson was one of Nissan's first recruits from the European motor industry following the announcement in 1984 that it intended to build a car plant in the UK.

He has been instrumental in speeding up Nissan'e programme for localising the sourcing of components in response to the rapid rise in the value of the yen, and has played an important role in bringing forward Nissan'a original production plans by two years.

The first Nissan Bluebird rolled off the Sunderland assembly line in 1986 and the 100,000th car was produced early this year.

■ Mr Michael Woskalo has been appointed a director of MILLER DEVELOPMENTS.

■ TANDEM COMPUTERS has appointed Mr Harry Summers as UK sales director.

■ TERN has appointed Mr Richard Gray as a director and chief executive of Tern Property Services. Mr Mike Drury becomes a non-executive director. He was with Haines Watts. Mr Roy Haywood has left the board but remains a director and shareholder in Tern Developments. Mr Alan Edwards has also left the board to concentrate on his activities as group company secretary and group administration executive.

■ BRITISH ALCAN ALUMINIUM has appointed Mr Robert H. Wilkinson as aluminium can recycling director of its primary and recycling division, Gosforth, Newcastle. He was commercial director.

■ Mr Johannes Erbé, until recently a vice chairman of Unilever NV and a member of the top three man special committee (which acts as chief executive) of the Unilever Group, has been appointed a part-time member of the BRITISH COAL CORPORATION. He serves from June 1 to May 31, 1992. Dr David Atterton, chairman of Foseco until 1987, and a director of the Bank of England and of Barclays Bank, has been re-appointed as a part-time member for three years from September 1, together with Dr John Parker, chairman and chief executive of Harland and Wolff.

■ Mr Michael Miles has been appointed a non-executive director of Sedgwick Lloyd's Underwriting Agents. He has been an external "name" through the company for several years, and is an executive director of John Swire & Sons. Mr Brian J.

Mr Mark Powell (above) is to join private client stockbrokers LAURENCE KEEN & CO as chief executive from July 3. He was chief executive of CL-Alexanders Laing & Cruickshank Holdings.

Rothwell is joining the London operations of E.W. Payne Companies on May 30 as commercial director. He is deputy manager, Lennox Underwriting Management. Mr Michael F. Race and Mr Kenneth W. Woodhams have been appointed managing directors of the non-marine division E.W. Payne (U.K.). Mr David J. Skeates has been appointed managing director of E.W. Payne (North America) in succession to Mr Woodhams. The companies are members of the SEDGWICK GROUP.

■ APPLEYARD GROUP has appointed Mr John Atkin as business development director.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	54.53	55.02	58.54	+1.01	4.68
Gilts & Fixed Int	6	111.8	111.8	118.6	-0.2	8.45
High Inc Equity	0	132.9	135.8	144.5	-0.3	4.39
Worldwide Bond	6	198.3	198.3	210.1	+3.9	4.62
Capital Growth						
American Growth	6	187.3	189.1	201.2	+4.2	1.23
Asian Pacific	6	100.5	102.4	109.6	+2.5	0.64
Assets & Earnings	6	160.3	164.4	174.9	+4.0	1.49
Capital Reserve Acc	0	84.93	84.93	85.06	-0.06	4.70
Comdty & Energy	6	99.93	103.0	109.6	+4.9	0.96
1992 Enterprise	6	57.74	58.93	62.70	-0.22	2.87
European Capital	6	83.47	84.08	89.45	+0.41	0.84
General	6	176.7	179.8	191.3	+2.6	2.35
Japan	6	109.4	111.1	118.1	-0.8	0.00
Mastertrust	6	85.60	85.60	91.54	+0.6	1.56
UK Growth Acc	6	202.6	211.5	225.1	+8.4	1.00
UK Growth Dist	6	135.1	141.0	150.1	+5.6	1.50
US Emerging Cos	6	56.21	57.93	61.63	+1.27	0.00
Income & Growth	6	292.2	298.8	317.9	+5.1	3.22
Ethical	6	49.52	50.79	54.04	+0.14	2.31
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	31.25	31.25d	33.36	+0.04	3.43
European	5¼	61.92	61.93	66.17	-	0.00
European Income	5¼	61.67	61.67d	65.84	+0.10	3.23
Exempt	1	811.1	811.1	846.6	-1.30	2.27
Extra Income	5	43.11	43.11	46.02	-0.02	4.99
F East Emerg Econs	5¼	45.93	46.67	49.99	+1.74	0.88
Fund Inv Tst	5	122.4	122.4d	130.7	-0.10	2.39
Do Accum	5	190.6	190.6	203.5	+0.70	2.55
Gilt & Fixed Int	5¼	22.01	22.01	23.50	[illegible]	10.40
Income & Growth	5¼	73.17	[illegible]	73.10	[illegible]	4.27
Int'l Income	5¼	63.47	63.47d	67.76	+0.65	5.31
Japan	5¼	187.7	137.7	200.4	[illegible]	0.00
Pacific	5¼	354.0	357.9d	383.3	-9.02	0.85
Secure Income	5	196.8	196.8d	210.1	-0.10	6.27
Sentinel Spec Sits	5	275.3	275.3d	293.8	-1.30	1.72
Smaller Companies	5¼	61.02	61.02	65.13	+0.34	2.43

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London WC2B 6SD 01-405 8331						
Capital & Equity	5	61.13	65.86	70.08	-0.06	5.86
European	5	63.73	64.02	68.10	+0.02	0.09
Far Eastern	5	59.89	60.04	63.87	—	0.78
Growth Inc	5	88.71	92.15	98.03	+0.22	1.98
Growth Acc	5	88.73	92.15	98.03	+0.22	1.98
Income Inc	5	84.81	86.60	92.13	-0.26	4.75
Income Acc	5	84.81	86.60	92.13	-0.26	4.75
Property Share	5	55.33	55.33	58.97	-0.08	0.46
Smaller Co's	5	58.88	62.08	66.04	-0.12	1.46
Formerly RBC Trust Managers Ltd						
Nth American	5	62.50	62.50	66.83	+1.0	1.60
International	5	47.03	47.03	50.29	+0.77	1.43
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	110.44	110.44	115.44	+1.75	3.22
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pl, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	64.32	66.79	71.05	+0.12	2.62
YUTM UK Equity Inc	5¼	60.57	62.67	66.67	-0.03	4.58
YUTM Ind Gen Est	5¼	50.26	50.26	53.64	+0.54	1.02

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Expt May 17 ... 480.4 ... 498.6

Cent. Bd. of Fin. of Church of England‡‡

2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid	Offer	+ or -	Yield
Inv Fund Apr 30		507.65	—	4.67
Fxd Int Sec Apr 30		141.15	—	10.13
Deposit Apr 30		100.00	—	12.45

Charities Official Invest. Fund‡‡

2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid	Offer	+ or -	Yield
Income Apr 30		460.64	—	4.97
Accum Apr 30		1579.49	—	

Edinburgh Fund Mngrs PLC

Exempt Funds

	Bid	Offer	+ or -	Yield
American May 31	147.6	151.7	+0.8	1.49
Managed May 31	131.5	136.4	-1.7	2.11
Japan May 23	141.3	145.2	+0.7	0.10
Pacific May 26	460.7	473.4	-27.5	0.21
Sm Jap Cos May 26	268.9	276.3	44.4	0.10

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Holborn Pensions Ltd—Contd.

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd—Contd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plans.) Ltd

The Analysis Group PLC

Blackstone Franks Plc

Bryan Wallis & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Clifton Financial Mgmt Ltd

Drummond Moores Plc

First Financial PLC

The Fitzgrade Group

Gartmore Fund Managers Ltd

Hinton Hill (L & P) Ltd

Investment Portfolio Services Ltd

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Lamont & Partners Plc

M & E Financial Management Plc

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

O'Halloran & Co/Countrywide

PBR Fund Management Ltd

Roxborough Financial Management Ltd

Rutland Insurance Broking & Inv Grp Ltd

Sharp (Albert E.) & Co

Siltala Fund Managers Limited

Tattersall Investment Mgmt. Ltd

Towry Law & Co

University Medical General Ltd.

J. D. Ward Financial Services Ltd

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

Rothschild Asset Management—Contd.

Royal Bank of Canada Funds

Lloyds Bank (CI) U/T Mgrs.

MIM Britannia International (Jersey) Ltd

Royal Trust Jsy Fd Mgt Ltd

TSB Trust Funds (CI)

Bamford Brandt Guernsey Mgmt. Ltd

The Bangkok Fund

Baring Fund Managers (Guernsey) Ltd

Bedrock Management (Guernsey) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Five Arrows Intl Bond Fund

Framlington Guernsey Fund Mngt Ltd

Hambros Fd Mgrs (CI) Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mgrs. (Guernsey) Ltd

The India Fund

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

M & G Island Fund

Manufacturers Hanover Geoffunds

NM Schroder Fund Mgmt Intl Ltd

Nikko Capital Mgmt (Europe) Ltd

Prudential Intl Financial Services Ltd

Tyndall International (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Wellington Fd Mgrs (Guernsey) Ltd

Allied Irish Fund Managers (CI) Ltd

Barclays Intl Funds

Brown Shipley Fund Mgmt (CI) Ltd

Citibank (CI) Ltd "Citifunds"

CIBC Trust Company (Jersey) Ltd

Allied Dunbar International Fund Mgrs.

Barclays Intl Funds

Gartmore Fund Managers (IoM)

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Adams & Neville Fund Mngt (Guernsey) Ltd

Alba Intl Assurance (Bermuda) Ltd

B.I.A. Bond Investments AG

Guinness Flight Fd Mngrs (Guernsey) Ltd

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Samuel Montagu Ldn Agts

[illegible]

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FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or –	Yield Gross
Henderson Global Strategy Mngmt SA				
Henderson Global Strategy Fund				
North Am Portfolio	£0.92	0.97	+0.02	–
European Portfolio	£1.22	1.29	–0.02	–
UK Growth Portfolio	£0.99	1.04	+0.02	–
Japan Portfolio	£1.32	1.39	+0.02	–
Pacific Portfolio	£1.20	1.26	+0.01	–
Managed Intl Portfolio	£1.00	1.05	+0.01	–
Dollar Cash Portfolio	$0.9758	0.9758	+0.0002	–
Sterling Cash Portfolio	£1.1026	1.1026	+0.0003	–
Hill Samuel Investment Services Intl (z)				
NM Income & Gwth Fd				
NAV May 30		$15.17	–0.01	–
NM Schroder Financial Mngt Intl Ltd				
HM Hong Kong Fd	[illegible]	[illegible]	+0.205	4.07
Intl Residential Prop Fd	£1.036	1.108	–	4.00
National Mutual Insce Co (Bermuda) Ltd				
Hm Intl Mngd Fund	$23.49	14.36	–	–
The New Zealand Fund				
Manager Leadenhall Offshore Ltd				
The NZ Fund	$7.95	8.51	–	–
Skandifond				
Skandinaviska Enskilda Banken				
Equity Inc. Acc.	$10.54	11.08	–	–
Equity Int. Inc.	$9.85	10.36	–	–
Equity Global	$0.96	1.02	–	–
Far East	$1.81	1.91	–	–
Equity Gold	$0.81	0.86	–	–
Equity Japan Acc.	Y119	125	–	–
Equity Nordic	$1.08	1.15	–	–
Equity UK	£1.10	1.16	–	–
Equity Conti Europe	$0.96	1.01	–	–
Equity Mediterranean	$1.00	1.06	–	–

	Bid Price	Offer Price	+ or –	Yield Gross
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Deposit	12.60	–	11.21	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX				01-236 1425
Call Fnd	13.04	10.20	13.95	6-Mth
7-day Fund	12.49	9.77	11.35	6-Mth
Special Fund	13.26	–	14.10	Mth
Dollar	8.50	6.65	9.09	3-Mth

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99	98	Exch. 10pc 1989	99	–	10.06	13.38
99	98	Exch 11pc 1989	99¼	–	11.10	13.37
	95	Treas 5pc 1986-89	97	.....	5.11	10.90
99	99	Exch 10¼pcCv '89	99	–¼	10.31	11.39
101	99	Treas 13pc 1990‡‡	99	–¼	11.02	11.20
99	98	Exch 11pc 1990‡‡	98	–¼	11.15	12.99
101	99¼	Exch. 12½pc 1990	99	–	12.54	12.85
94	91	Treas. 3pc 1990	93	.....	3.19	9.93
96	95¼	Treas 8¼pc 1987-90‡‡	96½xd	–¼	8.57	12.14
98	95	Treas. 8pc Cv 1990‡‡	95	–¼	8.35	12.16
98	97	Treas. 10pcCv 1990	97	–	10.30	12.31
91	87½	Exch 2½pc 1990	90¾	.....	2.76	9.53
101	99¼	Treas 11¾pc 1991	99	–	11.83	12.19
92	89¾	Funding 5¾pc '87-91‡‡	91¼	.....	6.25	10.71
89	86	Treas. 3pc 1991	89½	.....	3.35	8.99
100	96	Treas 10pc Cv '91‡‡	96	–	10.35	11.86
101	98¼	Exch. 11pc 1991	98	–	11.19	11.81
94	91	Treas. 8pc 1991	91	–	8.70	11.76
106	102	Treas 12¼pc 1992‡‡	102	–	12.39	11.42
99½	96	Treas 10pc 1992	96	–	10.35	11.46
94	91	Treas. 8pc 1992‡‡	91	–	8.73	11.47
100¼	97	Treas 10½pc Cv 1992‡‡	97¼	–	10.75	11.42
85	82¼	Treas. 3pc 1992	83½xd	.....	3.59	9.37
105	102	Exch. 12¼pc '92	102¼	–	11.98	11.40
109¼	105	Exch 13½pc 1992	105	–	12.76	11.30
94	90	Treas 8¼pc 1993	91	–	9.03	11.14
100	96	Treas 10pc 1993‡‡	96	–	10.32	10.99
108	104	Treas 12½pc 1993‡‡	104	–	11.94	11.05
87¼	84¼	[illegible] 6pc 1993‡‡	85	–	6.98	10.08
113¼	109	Treas 13¾pc 1993‡‡	109	–	12.54	10.95
94½	90	[illegible] 8½pc 1994	91	–	9.33	10.97
117	113	Treas 14½pc 1994‡‡	113	–	12.75	10.72
113	109	[illegible] 13½pc 1994	109	–	12.33	10.94
		Five to Fifteen Years				
100¾	96	Treas. 10pc Ln. 1994‡‡	97¼xd	–	10.30	10.77
110	105	Exch. 12½pc 1994	106	–	11.78	10.93
	92	Treas 9pc 1994‡‡	93	–	9.67	10.69
	104¼	Treas 12pc 1995	104	–	11.48	10.89
	74¼	Exch 3pc Gas 90-95	77	.....	3.90	7.93
101	97	Exch. 10¼pc 1995	97¼	–	10.49	10.77
113	108	Treas 12¾pc 1995‡‡	109	–	11.67	10.72
119	114	Treas. 14pc '96	114	–	12.21	10.83
97	93	Treas. 9pc 1992-96‡‡	93	–	9.65	10.38
126	121	Treas 15¼pc 1996‡‡	121	–	12.56	10.77
117	111	Exch 13¼pc 1996‡‡	112	–	11.83	10.74
101	96	Conversion 10pc 1996	96	–½	10.32	10.60
118	113	Treas 13¼pc 1997‡‡	113¼	–½	11.71	10.67
104	99	Exch 10½pc 1997	99½	–½	10.56	10.61
95	90¾	Treas 8¾pc 1997‡‡	91	–½	9.63	10.40
128	122¼	Exch 15pc 1997	123	–½	12.21	10.78
100¼	95	Exch. 9¾pc 1998	96	–	10.16	10.47
84	80½	Treas 6¾pc 1995-98‡‡	81	–	8.33	10.01
134	128½	Treas. 15½pc '98‡‡	128½	–½	12.06	10.59
113	108½	Exch. 12pc 1998	108½	–½	11.06	10.54
100¼	95	Treas 9½pc 1999‡‡	95	–½	9.92	10.18
115¾	110¼	Exch. 12¼pc 1999	110½	–	11.10	10.51
105	100¼	Treas. 10½pc 1999	100	–½	10.45	10.42
104	98	Conversion 10¼pc 1999	99	–	10.34	10.38
94	89	Treas. 8½pc Ln 2000‡‡	89½	–	9.49	10.12
97	92	Conversion 9pc 2000‡‡	92½	–	9.72	10.14
122	116	Treas. 13pc 2000	116½	–	11.20	10.51
103	98	Treas 10pc 2001	98	–	10.14	10.20
124	118	Treas. 14pc '98-01	118½	–	11.81	10.72
102	97	Conversion 9¾pc 2001	97½	–	10.04	10.16
113	108½	Exch. 12pc '99-02	108	–	11.06	10.56
104	99	Conversion 10pc 2002	99	–	10.06	10.07
102	97	Treas 9¾pc 2002	98	–	9.97	10.04
97	92¼	Exch. 9pc 2002	92	–	9.69	9.96
126	120	Treas. 13¾pc 2000-03	120	–	11.39	10.54
105	100¼	Treas 10pc 2003	100	–	9.94	9.91
113	107¼	Treas. 11½pc 2001-04	107	–	10.67	10.33
106	101¼	Treas. 10pc 2004	101¼	–	9.88	9.83
		Over Fifteen Years				
59¾	57	Funding 3½pc '99-04	57¼	–	6.14	8.65

BRITISH FUNDS—Contd

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	97	Conversion 9½pc 2004	97	–	9.71	9.77
103	98	Conversion 9½pc 2005	98	–	9.69	9.74
111¼	106	Exch. 10½pc 2005	106	–	9.89	9.73
125	119	Treas. 12½pc 2003-05	119	–	10.47	9.94
90	86¼	Treas. 8pc 2002-06‡‡	86	–	9.28	9.65
105	100	Conversion 9¾pc 2006	100	–	9.67	9.65
118	113	Treas. 11¾pc 2003-07	113	–	10.38	9.95
96	91	Treas 8½pc 2007‡‡	91	–	9.29	9.49
134	127	Treas. 13½pc '04-08	128	–	10.56	9.86
101	96	Treas. 9pc 2008‡‡	96¼	–	9.36	9.43
92	87	Treas 8pc 2009	87	–	9.13	9.37
102	97	Conv 9pc Ln 2011‡‡	97	–	9.26	9.30
68	65	Treas. 5½pc 2008-12‡‡	65	–	8.43	9.11
89	85	Treas. 7¾pc 2012-15‡‡	85	–	9.06	9.23
132	125	Exch. 12pc '13-'17	125xd	–	9.55	9.31
		Undated				
45	42	Consols 4pc	43	–	9.26	–
40	38	War Loan 3½pc‡	38xd	–	9.16	–
70	60	Conv. 3½pc '61 Aft.	65	–	5.31	–
41	31	Treas. 3pc '66 Aft.	34	–	8.59	–
30¼	26¼	Consols 2½pc	27	–	9.20	–
29½	26¾	Treas. 2½pc	26	–	9.28	–
		Index-Linked (b)			(1)	(2)
129½	124	Treas 2pc IL '90(84.6)	129	–	–	4.39
107	103	Do. 2pc '92‡‡(97.8)	107	–	2.99	3.96
99	94	Do. 2 '94 (102.9)	99	–	3.26	3.81
146	139	Do. 2pc '96(67.9)	146	–	3.31	3.69
124	118	Do 2½pc '01(78.3)	123	–	3.54	3.80
122	115	Do. 2½pc '03(78.8)	121	–	3.59	3.82
125	117	Do. 2pc '06(69.5)	124	–	3.60	3.78
117	110	Do. 2½pc '09(78.8)	116	–	3.60	3.77
123	114	Do. 2½pc '11(74.6)	120	–	3.60	3.76
102½	95¼	Do. 2½pc '13(89.2)	100	–	3.58	3.73
110	101	Do. 2½pc '16(81.6)	108	–	3.84	3.68
108	100	Do. 2½pc '20(83.0)	106¼	–	3.49	3.62
91	84	Do. 2½pc '24‡‡(97.7)	89	–	3.46	3.58

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1988: 108.4 and for April 1989: 114.3.

INT. BANK AND O'SEAS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
108	102	African Dv Bk 11¼ Ln 2010	102	–	10.82	10.77
104¾	99	Asian Dev Bk 10¼pcLn2009	99xd	–	10.29	10.29
130	123	Australia 13½pc 2010	123xd	–	10.98	10.73
113	106½	Do. 11¾pcLn2015	106xd	–	10.67	10.61
108	102	Euro Inv Bk 11pc Ln 2002	102	–	10.69	10.58
104	98	Do. 10¾pc2004	99	–	10.48	10.50
119	112	Int-Am Dev Bk 12½pc 2003	112	–	11.11	10.72
99¼	93	Do. 9½pcLn 2015	93	–	10.33	10.43
97½	94½	Mlysia 10¾pcLn 2009	94½xd	.....	11.38	11.45
120	118	Utd. Mexican States 16½pc 2008	118	.....	13.98	13.80

CORPORATION LOANS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	100	Birmingham 13½pc 1989	100½xd	.....	13.43	11.20
111½	102¼	Do. 11½pc 2012	105½xd	.....	10.90	10.85
91	86½	GLC 6¾pc 1990-92	86½xd	.....	7.80	12.10
124½	114½	Leeds 13½pc 2006	120½xd	.....	11.20	10.94
33	30	Liverpool 3½pc Irred	30xd	.....	11.67	–
94½	92	LCC 6¾pc '88-90	93½xd	.....	7.22	12.90
30	28	Do. 3pc '20 Aft.	28xd	.....	10.71	–
107½	104½	Manchester 11½pc 2007	105½xd	.....	10.90	10.80

COMMONWEALTH & AFRICAN LOANS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
89½	86½	NZ 7¼pc 1988-92	88	.....	8.24	11.90
206	206	S Rhod 2½pc Non-Assd.	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Assd.	84½xd	.....	5.33	9.33

LOANS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		Building Societies				
99	98	N'wide Anglia 9¾ 26.6.89	99	+	9.84	14.35
99	98	Do. 10¾pc 17.7.89	99½	.....	10.74	14.02
99	98	Do. 11¼pc 7.8.89	99	.....	11.13	14.02
99	98	Do. 11½pc 29.8.89	99	.....	11.64	14.07
99	99	Do. 12¼pc 18.9.89	99	–	12.46	14.20
99	99	Do. 12¼pc 2.10.89	99¼	–	12.41	14.16
99	98	Do. 11¾pc 6.11.89	98xd	–	11.94	14.15
100	99	Do. 12¼pc 4.12.89	99	–	12.43	14.10
100	99	Do. 12¾pc 2.1.90	99xd	.....	12.90	13.92
100½	98	Do. 12½pc 29.1.90	98	–	12.69	14.10
100	99	Do. 12¾pc 26.2.90	99	–	12.83	14.00
102¼	99¼	Do. 3¾pcIL Ln 2021	100½xd	–½	4.38	4.45
		Public Board and Ind.				
99	95	Agric. Mt. 5pc '59-89	99	.....	5.05	–
47	45	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.41

FOREIGN BONDS & RAILS

1989 High	1989 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	f8.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	f7.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	15.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139	132½	Hydro Quebec 15pc 2011	132	–¼	15.00	11.04
128	122	Iceland 14½pc Ln 2016	122	–	14.50	11.71
97¼	94	Ireland 9¾pc '91-96	94xd	.....	9.75	10.95

AMERICANS

1989 High	1989 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
37½	26¼	Abbott Laboratories‡	37xd	+1	$1.20	–	2.0
537p	361p	♦Allegheny & W 1c	526p	+4	30c	–	3.6
16	12	Amax $1	16xd	+	40c	–	1.5
11	6	Ambase Corp $1	7xd	+	20c	–	1.6
14½	956p	Amdahl 5c	14xd	+	h10c	–	0.4
35¾	25½	Amer. Cyanamid $5	35½	+1	$1.35	–	2.4
22	14	Amer. Express 60c	21xd	+	84c	–	2.5
13¼	854p	Amer. Medical Int. $1	11¾	+½	♦72c	–	3.3
22¾	15¾	American T. & T. $1	22¾	+¼	$1.20	–	3.3
38½	26	Ameritech $1	38½	+1½	h$2.92	–	4.8
18¼	9¾	BankAmerica $1	10¼xd	+	60c	–	2.1
30¾	19¾	Bankers N.Y. $1	30xd	+1	$2.08	–	4.3
56	38½	Bell Atlantic $1	56	+2¼	$4.08	–	4.6
31	19	BellSouth Corp.	31	+1¼	$2.52	–	5.1
15¾	12	♦Bethlehem Steel $8	14xd	+	–	–	–
11	929p	♦Bio-Rad Labs. A	11½	+	–	–	–
20¼	15¼	Bowater Inc.	19½	+½	$1.12	–	3.6
12¾	9¼	Brunswick 75c	12¼	+	44c	–	2.2
37¾	28¾	CPC Intnl. 25c	37½	+	$1.60	–	2.7
21¼	17	CSX $1	21¼	+	$1.24	–	3.7
790p	333p	California Engy.	730p	+25	–	–	–
28	17¼	Campbell Soup 15c	28	+	92c	–	2.1
23	15	Chase Manhattan $12½	23xd	+	$2.36	–	6.5
22¼	17	Chem. Banking Corpn.	22¼	+½	$2.72	–	7.7
16¼	13	Chrysler $6¼	15xd	+	$1.20	–	5.0
20½	14	Citicorp $1	20xd	+	$1.62	–	5.1
230p	153p	CityFed Fin. Corp.	152p	–4	4c	–	1.7
32	25¼	Colgate-Palmolive $1	32	+	s$1.48	–	2.8
21½	16	Cons Freightwys 62½c	20	+	98c	–	3.1
15¼	10¼	Cont'l Bank Corp $4	15¼	+	86c	–	3.2
387½p	300p	♦Corporate Data Scnc.	335p	.....	–	–	–

Continued on next page

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
423p	278p	Cullinet Sftwr 1c	423p	+10	—	—	—
27⅞	21½	Dana Corp. $1	27⅞	+⅞	$1 60	—	3 7
11⅛	854p	Data General	11⅛	+⅛	—	—	—
35⅛	28⅜	Dun & Bradstreet $1	35⅛	+1⅛	$2.00	—	3.6
39½	30½	Eaton Corpn 50c	39½	+1¼	h$2 00	—	3 2
11⅓	8⅞	Ecklin Inc	11⅓	+⅝	70c	—	3 9
20¼	16⅞	FPL Group 1c	19⅞	+⅛	$2 20	—	7 0
32⅛	27⅝	Ford Motor $1	30⅞	+1¼	$3.00	—	6.2
40⅛	30¾	GATX 62½c	48⅛	+1¼	$2.00	—	3 2
34⅞	24¼	Gen. Elect. 63c	34⅞	+1¼	$1.64	—	3 0
567p	484p	♦General Host Corp $1	550p	+36	28c	—	3 2
39⅛	18¼	Gillette $1	25¼	+⅝	96c	—	2.4
834p	616p	Gt Am First Svgs Bk $1	822p	+19	60c	—	4.6
21¼	16⅞	Greyhound $1½	21⅝	......	$1.52	—	3.9
12⅞	847p	Hasbro Inc 50c	12⅞	+¼	16c	—	0.8
		For Home Group see Ambase Corp					
49¼	32¾	Honeywell $1½	48¾	+1⅛	$2.[illegible]	—	2 7
18⅞	15½	Houston Inds $	18⅛	+⅛	$2.[illegible]	—	10.0
74⅝	63⅛	IBM Corpn $1¼	69⅛	+1¼	$4.[illegible]	—	4.4
52p	45p	♦Image Storage/R.Sys.1c	45p	−2		—	—
26⅞	18¾	Ingersoll—Rand $2	26⅞	+⅞	$1 [illegible]	—	2.5
30¼	22½	Lockheed Crpn. $1	30¾	+⅞	$1.[illegible]	—	3.3
18⅞	15⅛	Lone Star Inds $1	18¼	+⅞	$1 [illegible]	—	6.4
24⅞	17½	Louisiana Land 15c	24⅞	+1¼	$1.[illegible]	—	2.5
16	11½	Lowe's 50c	15¼	+⅝	[illegible]	—	1.9
22⅞	15⅞	Manuf Hanover $1	22¼	+¼	$3.[illegible]	—	9 1
19⅞	13⅞	Merrill Lynch $1	19⅛	+⅛	$1.[illegible]	—	3 3
2253p	1910p	Mapler Inc	2089p	+38	3.[illegible]	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

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Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◊ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∎ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	100	......
Craig & Rose £1.. γ	720	......
Finlay Pkg 5p.... γ	88xd	......
Holt (Jos) 25p..... γ	1335	+8

IRISH

Cap. 8½% Ln. 1991...	£98	......
9pc Cap Ln. 1996..	£97¼	......
Fin. 13% 97/02...	£110	......

Arnotts............	440xd	-10
Carrol (P J.)....... γ	152	+2
Hall (R. & H.)......	158	+1
Heiton Hldgs....... γ	74	-2
Irish Ropes..........	203xd	+3
United Drug.........	138	-2

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	48
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	11
Burton Ord	10
Cadburys	31
Charter Cons	45
Comm Union	20
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	43
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	58

Oils

Brit Petroleum	21
Do. Int. Certs	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	65
Ultramar	21

Mines

Cons Gold	185
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Loss of confidence hurts pound

STERLING FELL sharply in currency markets yesterday amid concern about rising inflatinn and higber wage costs. Overseas investors were also discouraged hy the prospect of a strike by UK dock workers.

With the US dollar attracting renewed demand, there was little incentive to maintain positions in sterling, and tbe pound fell to its lowest level since February 1987 against the dollar at $1.5585, down from $1.5890 on Friday. Its decline against the D-Mark to DM3.1325 took it to its worst level since October last year; on Friday it closed at DM3.1600. In yen terms the pound fell tn Y223.50 from Y224.75. Elsewhere, it finished at SFr2.7350 from SFr2.7575 and FFr10.6100 compared witb FFr10.7025.

The pound's exchange rate index fell to 92.5 from an opening level of 92.9, and 93.4 nn Friday. Since the beginning of tbe year, the pound has fallen over 5¼ per cent against a basket of currencies. It has also declined by some 14 per cent against the dollar, and because most commodities are priced in dollars, the decline has created upward pressure on inflation. Most traders now expect a rise in UK base rates to 15 per cent unless stering shows signs of stability.

Sterling's decline continued in New York where by lunchtime it had slipped to DM3.1250. However, it was slightly steadier against the dollar at $1.5600.

Further intervention by central banks yesterday failed to prevent the dollar from finishing on a firmer note and touching its best level against the D-Mark since Decemher 1986. The Bank of England and the West Garman Bundeshank were jnined by at least four other European central banks during the morning selling dollars. But the firmer tone continued, and tbe US nnit touched a high of DM2.0155 against the D-Mark before closing at DM2.0095 up from DM1.9890 on Friday.

The Bank of Japan intervened on several occasions in Tokyo, in an effort to force the dollar lower, in conjunction with a rise in the Japanese discount rate to 3.25 per cent from 2.5 per cent.

The dollar is likely to remain firm ahead of the release of US employment data for May, due on Friday. Analysts are looking for a rise in non-farm payroll employment of around 200,000. A smaller rise may give the anthorities some room to push interest rates lower in the US in an attempt to reduce the dollar's attraction.

A higher figure will provide good reason to maintain a tight monetary policy until such times as there are clear indications of a slowdown in US growth and inflation.

The dollar closed at Y143.40 compared with Y141.40. Elsewhere, it finished at SFr1.7550 from SFr1.7360 and FFr6.8075 compared with FFr6.7350. On Bank of England figures, the dollar's exchange rate index rose from 72.2 to 72.8.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5475	+2.57	+1.00	±1.5344
Danish Krone	7.85212	8.09881	+3.14	+1.57	±1.5404
German D-Mark	2.05853	2.07995	+1.04	-0.53	±1.0981
French Franc	6.90403	7.04564	+2.05	+0.48	±1.3674
Dutch Guilder	2.31943	2.34409	+1.06	-0.51	±1.5012
Irish Punt	0.768411	0.777829	+1.23	-0.34	±1.6684
Italian Lira	1483.58	1503.99	+1.38	+0.48	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

May 30	Latest	Previous Close
£ Spot	1.5670-1.5690	1.5890-1.5910
1 month	0.55-0.54cp	0.54-0.49pm
3 months	1.61-1.58pm	1.61-1.56pm
12 months	5.70-5.60pm	5.70-5.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 30	Previous
8.30 am	92.9	93.4
9.00 am	92.8	93.3
10.00 am	92.9	93.4
11.00 am	92.9	93.4
Noon	92.9	93.5
1.00 pm	92.9	93.5
2.00 pm	92.9	93.4
3.00 pm	92.8	93.5
4.00 pm	92.5	93.4

CURRENCY RATES

May 30	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.782214	0.660450
U.S Dollar	7	1.25561	1.03606
Canadian $	12.39	1.51314	1.24983
Austrian Sch.	5	17.3488	14.6254
Belgian Franc	7.75	51.5616	43.5475
Danish Krone	7½	9.60981	8.09881
Deutsche Mark	4.50	2.46476	2.07995
Neth.Guilder	5.50	2.77615	2.34409
French Franc	9½	8.33599	7.04564
Italian Lira	13½	1786.86	1503.99
Japanese Yen	2½	176.727	148.241
Norway Krone	8	8.91358	7.47932
Spanish Peseta	-	155.063	132.487
Swedish Krona	9½	8.33788	6.97732
Swiss Franc	4.5	2.15902	1.81653
Greek Drach.	20½	210.553	176.829
Irish Punt	-	1.08782	0.777829

*All SDR rates are for May 26

CURRENCY MOVEMENTS

May 30	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.5	-17.8
U.S Dollar	72.8	-5.6
Canadian Dollar	103.1	-0.6
Austrian Schilling	106.1	+9.4
Belgian Franc	105.2	-6.6
Danish Krone	102.2	-2.6
Deutsche Mark	111.7	+19.6
Swiss Franc	104.7	+13.1
Guilder	109.4	+12.7
French Franc	93.5	-15.9
Lira	98.3	-19.4
Yen	140.8	+71.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for May 26.

OTHER CURRENCIES

May 30	£	$
Argentina	296.25-296.60	189.90-190.00
Australia	2.0915-2.0940	1.3390-1.3420
Brazil	1.7580-1.7670	1.1270-1.1320
Finland	6.9645-6.9765	4.4580-4.4600
Greece	265.55-270.05	169.85-172.56
Hong Kong	12.1385-12.1540	7.7740-7.7770
Iran	117.50*	72.50*
Korea(Sth)	1034.40-1042.75	663.90-669.30
Kuwait	0.46330-0.46480	0.29550-0.29625
Luxembourg	65.55-66.65	42.05-42.15
Malaysia	4.2330-4.2435	2.7130-2.7160
Mexico	3856.63-3860.70	2473.00-2474.00
N. Zealand	2.6750-2.6800	1.7145-1.7175
Saudi Ar.	5.8800-5.8855	3.7500-3.7510
Singapore	3.0590-3.0645	1.9580-1.9600
S. Af (Cm)	4.3455-4.3560	2.7835-2.7865
S Af (Fn)	6.4460-6.5325	4.1320-4.2195
Taiwan	40.65-40.75	26.05-26.10
U.A.E.	5.7575-5.7630	3.5720-3.6730

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

May 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5550-1.5705	1.5580-1.5590	0.58-0.55cpm	4.35	1.68-1.64pm	4.26
Canada	1.8820-1.8955	1.8845-1.8855	0.27-0.16cpm	1.37	0.80-0.65pm	1.54
Netherlands	3.52½-3.55	3.52½-3.53½	2¼-1¾cpm	6.80	5½-5¼pm	6.09
Belgium	65.50-66.10	66.55-66.65	32-28cpm	5.41	87-80pm	5.02
Denmark	12.19¾-12.27¾	12.21-12.22	5½-4¾orepm	5.03	13¾-13pm	4.40
Ireland	1.1710-1.1810	1.1720-1.1730	0.40-0.35ppm	3.84	1.10-1.00pm	3.58
W Germany	3.13-3.15	3.13-3.13½	1¾-1¾pfpm	6.94	5¼-4¾pm	6.38
Portugal	258.70-260.60	259.15-260.15	par-50cdis	-1.16	11-10cdis	-0.90
Spain	200.15-201.85	200.15-200.45	9-6cpm	0.45	16-27dis	0.43
Italy	2262½-2279½	2262½-2263½	5-3lirepm	2.12	12-9pm	1.86
Norway	11.26-11.34½	11.26¾-11.27¾	3-2½orepm	4.52	7¾-7¼pm	2.68
France	10.60½-10.67	10.60½-10.61½	4¾-4¼orepm	5.02	12¾-12¼pm	4.74
Sweden	10.50¼-10.57¼	10.50¼-10.51¼	2¼-1¾orepm	2.00	6¼-5¼pm	2.28
Japan	223-224½	223-224	1¾-1½ypm	9.06	4¾-4½pm	8.39
Austria	22.00-22.17	22.03-22.06	12¾-11¾gropm	6.74	36-33¼pm	6.27
Switzerland	2.73-2.75¼	2.73-2.74	1¾-1¼cpm	5.76	4-3¼pm	5.67

Belgian rate is convertible francs. Financial franc 65.70-65.80. Six-month forward dollar 3.35-3.30cpm 12 months 6.00-5.90cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5550-1.5705	1.5580-1.5590	0.58-0.55cpm	4.35	1.68-1.64cm	4.26
Ireland†	1.3260-1.3330	1.3295-1.3305	0.24-0.29cdis	-2.38	0.18-0.28dis	0.69
Canada	1.2035-1.2105	1.2095-1.2105	0.31-0.35cdis	-3.28	0.80-0.86dis	-2.75
Netherlands	2.2575-2.2715	2.2645-2.2655	0.46-0.44cpm	2.39	1.12-1.09pm	1.96
Belgium	41.95-42.20	42.05-42.15	5.00-3.50cpm	1.22	11.00-8.00pm	0.91
Denmark	7.80½-7.85	7.83½-7.84	0.70-0.45orepm	0.88	0.65-0.25pm	0.23
W. Germany	2.0030-2.0155	2.0090-2.0100	0.47-0.44pfpm	2.72	1.10-1.08pm	2.17
Portugal	166.40-166.55	166.45-166.55	65-95cdis	-5.76	200-270dis	-5.64
Spain	127.40-128.80	128.80-128.90	40-50cdis	-4.21	130-150dis	-4.37
Italy	1448-1456¾	1451¾-1452¾	2.70-3.20liredis	-2.07	8.70-9.70dis	-2.54
Norway	7.21½-7.25¼	7.23-7.23½	0.67-0.92oredis	-1.32	2.55-2.85dis	-1.50
France	6.78¾-6.82¼	6.80½-6.81	0.45-0.40cpm	0.75	0.90-0.80pm	0.50
Sweden	6.73-6.76¼	6.74¼-6.74¾	1.07-1.22oredis	-2.04	3.10-3.35dis	-1.91
Japan	142.85-143.55	143.35-143.45	0.59-0.56ypm	4.83	1.58-1.54pm	4.37
Austria	14.11¾-14.18	14.14½-14.15	3.30-2.80gropm	2.59	8.20-6.70pm	2.11
Switzerland	1.7495-1.7620	1.7545-1.7555	0.22-0.19cpm	1.40	0.65-0.61pm	1.44

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.15-42.25.

EURO-CURRENCY INTEREST RATES

May 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13¾-13⅝	13¾-13⅝	13⅞-13¾	14⅛-14	14⅛-14	14-13⅞
US Dollar	9⅞-9¾	9⅞-9¾	9⅞-9¾	9⅞-9¾	9½-9⅜	9½-9⅜
Can. Dollar	12¾-12½	12¾-12½	12⅞-12¾	12⅝-12½	12-11¾	11¾-11½
D. Guilder	6¾-6½	6⅞-6¾	7⅛-7¼	7⅝-7½	7¾-7⅝	7⅞-7¾
Sw. Franc	8½-8¼	8¾-8½	0⅞-8⅞	8⅛-8	7¾-7⅝	7⅞-7¾
Deutschmark	6⅝-6½	6⅝-6½	7⅛-6⅞	7⅝-7½	7½-7⅜	7⅝-7½
Fr. Franc	8⅞-8¾	8⅞-8⅞	8¾-8½	9-8¾	9½-9	9½-9¼
Italian Lire	11-9	12¼-11½	12⅛-11⅝	12¼-11¾	12¼-11¾	12⅛-12⅛
B. Fr. (Fin)	8¼-8⅛	8½-8⅜	8½-8⅜	0⅞-8⅜	8⅞-8¾	8⅞-8¾
B. Fr. (Con.)	8⅜-8	8⅝-8⅜	8⅝-8⅜	9-8⅞	9-8⅞	9-8⅞
Yen	4⅞-4⅞	5⅛-5	5⅛-5⅛	5¼-5⅛	5⅞-5⅞	5⅞-5⅞
D. Krone	8¾-8⅝	8⅞-8⅜	9⅛-8⅞	9⅝-9⅜	9⅝-9⅜	10-9⅞
Asian $Sing	9⅞-9⅞	9⅞-9⅞	9¾-9⅝	9⅞-9⅞	9⅜-9½	9⅜-9½

Long term Eurodollars: two years 9½-9¼ per cent; three years 9½-9¼ per cent; four years 9½-9¼ per cent; five years 9½-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May 30	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.559	3.133	223.5	10.61	2.735	3.530	2263	1.885	65.60
$	0.641	1	2.010	143.4	6.806	1.754	2.264	1452	1.209	42.08
DM	0.319	0.498	1	71.34	3.387	0.873	1.127	722.3	0.602	20.94
YEN	4.474	6.975	14.02	1000.	47.47	12.24	15.79	10125	0.434	293.5
F Fr.	0.943	1.469	2.953	210.7	10.	2.578	3.327	2133	1.777	61.83
S Fr.	0.366	0.570	1.146	81.72	3.879	1	1.291	827.4	0.689	23.99
H Fl.	0.283	0.442	0.888	63.31	3.006	0.775	1	641.1	0.534	18.58
Lira	0.442	0.689	1.384	98.76	4.688	1.209	1.560	1000.	0.833	28.99
C $	0.531	0.827	1.662	118.6	5.629	1.451	1.873	1201	1	34.80
B Fr.	1.524	2.377	4.776	340.7	16.17	4.169	5.381	3450	2.873	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Currency fears hit Liffe

SHORT STERLING finished near the day's low on Liffe yesterday. Concern grew that the UK anthorities are hsing caught in a dilemma; on one side there is the risk of a currency crisis, and on the other a rise in base rates to a level where political difficulties could result.

The weakness of sterling encouraged speculation about another rise in UK bank base rates, with GNI - one of the biggest operators on Liffe - saying that a majority of market commentators now halieve a mnve to 15 per cent cannot be avoided.

September short sterling fell through a technical support level of 86.25, to a low of 86.18 and closed at 86.19 compared with 86.45 on Friday.

The US Federal Reserve may wait for Friday's May US employment data before considering any easing of monetary policy, hut hopes that the strong dollar will soon force lower US interest rates boosted US Treasury bonds.

This did nothing to help sterling based contracts however, where currency considerations overshadowed all other factors. Fears that the Bundesbank may push West German interest rates higher at tomorrow's council meeting added to the mood of nervousness in London.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	320	350	16	30
93	231	302	27	46
94	149	224	45	104
95	112	151	108	131
96	49	121	145	201
97	33	61	229	241
98	18	42	314	322

Estimated volume total, Calls 295 Puts 491

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
88	537	555	23	47
90	358	426	44	118
92	232	311	117	203
94	123	212	209	304
96	43	128	329	420
98	21	57	507	549
100	10	34	660	726

Estimated volume total, Calls 122 Puts 134

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9100	182	187	22	53
9150	144	155	34	71
9200	110	126	50	92
9250	79	100	69	116
9300	58	79	98	145
9350	40	60	130	176
9400	27	46	167	212

Estimated volume total, Calls 5 Puts 146

LIFFE £/$ OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING [illegible]

LONDON (LIFFE) [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

CHICAGO [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5585	1.5529	1.5419	1.5253	1.4990

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.5606	1.5658	1.5606	1.5872
Sep	1.5472	1.5486	1.5440	1.5716
Dec	1.5276	1.5370	1.5276	1.5446

EUROPEAN OPTIONS EXCHANGE

[illegible]

MONEY MARKETS

London rates firm

LONDON MONEY market rates moved up again yesterday as sterling weakened and interest rates rose in Japan and parts of Continental Europe.

Three-month sterling interbank opened firmer at 13$\frac{15}{16}$-13⅞ per cent, as the pound's exchange rate index slid to 92.9 from 93.4. A rise of 0.75 per cent to 3.25 per cent in the Bank of Japan's discount rate was widely expected, but contributed to the mood of nervousness in London.

UK clearing bank base lending rate 14 per cent from May 24

As the pound's index fell to 92.5 at the close, three-month interhank rose ahove the recently established base rate level, to close at 14$\frac{1}{16}$-14 per cent compared with 13⅞-13$\frac{13}{16}$ per cent on Friday.

The West German Bundesbank council meets tomorrow, and will decide whether to respond to the weakness of the D-Mark against the dollar and the rise in Japanese rates. Call money in Frankfurt rose to the 6.50 per cent emergency Lombard borrowing level, but the move was largely technical and dealers warned against giving this too much emphasis.

A better guide may be provided by today's securities repurchase agreement tender from the Bundesbank. Banks have heen offered funds for 34 days and 62 days at variable bid rates. These two pacts will replace DM32.2bn draining from the market as two earlier agreements expire.

In Zurich the Swiss National Bank increased its floating Lombard rate to 9¾ per cent from 9¼ per cent. The Union Bank of Switzerland raised its mortgage rates by ¼ per cent and warned that Swiss rates could rise further over the rest of the year.

In Brussels the Belgian National Bank raised the rate on four-month paper, issued by the Securities Regulation Fund, by 0.20 per cent to 8.70 per cent at its weekly tender. Other rates, inclnding the important three-month Treasury certificate rate, were unchanged.

The Bank of England initially forecast a money market credit shortage of £800m, hut revised this to £400m at noon and to £450m in the afternoon. Total assistance of £400m was provided. The authorities did not operate in the market before lunch, but in the afternoon hought £145m bank bills in band 1 at 13¾ per cent. Late help of £255m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury hills drained £904m. This outweighed Exchequer transactions adding £195m to liquidity, a fall in the note circulation of £380m and hank balances above target of £35m.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 30) 3 months US dollars		6 months US Dollars	
bid 9$\frac{7}{16}$	offer 9$\frac{9}{16}$	bid 9⅜	offer 9½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	11½	One month	8.16	Three year	8.78
Broker loan rate	10¾-½	Two month	8.54	Four year	8.73
Fed.funds	9⅞	Three month	8.78	Five year	8.64
Fed.funds at intervention	-	Six month	8.86	Seven year	8.62
		One year	8.83	10-year	8.58
		Two year	8.82	30-year	8.58

May 30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.45-6.55	6.90-7.00	7.00-7.10	7.20-7.35	7.30-7.45	6.50
Paris	8¼-8⅞	8⅞-9	8$\frac{15}{16}$-9$\frac{1}{16}$	9-9⅛	9$\frac{1}{16}$-9$\frac{3}{16}$	7.25
Zurich	7¾-7¼	8$\frac{11}{16}$-8$\frac{13}{16}$	-	8⅞-9	-	-
Amsterdam	7.06-7.18	7.15-7.25	-	7.52-7.62	-	-
Tokyo	4⅞-4¾	5¼-5⅜	-	5⅜-5½	-	-
Milan	12¼-12½	12¼-12¾	-	12¼-12¾	-	-
Brussels	3.10	8½-8⅞	-	8⅞-8$\frac{15}{16}$	-	-
Dublin	7½-7¾	8½-8¾	9-9¼	9¼-9½	9⅝-9⅞	-

LONDON MONEY RATES

May 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	13⅞	13$\frac{15}{16}$	14⅛	14⅛	13$\frac{15}{16}$
Interbank Bid	13	13½	13¾	13$\frac{15}{16}$	13$\frac{15}{16}$	13⅞
Sterling CDs.	-	-	13¾	13$\frac{15}{16}$	13$\frac{15}{16}$	13⅞
Local Authority Deps.	13½	13½	13$\frac{13}{16}$	13⅞	13$\frac{13}{16}$	13½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	13½	15½	13¾	-	-
Company Deposits	-	-	13$\frac{13}{16}$	13$\frac{15}{16}$	13$\frac{15}{16}$	13⅞
Finance House Deposits	-	-	13$\frac{15}{16}$	14⅛	14	13$\frac{15}{16}$
Treasury Bills (Buy)	-	-	13$\frac{13}{16}$	13⅞	-	-
Bank Bills (Buy)	-	-	13½	13$\frac{11}{16}$	13⅝	-
Fine Trade Bills (Buy)	-	-	14⅛	14$\frac{3}{16}$	13$\frac{13}{16}$	-
Dollar CDs	-	-	9.65	9.55	9.45	9.45
SDR Linked Dep Offer	-	-	8⅝	8¾	8$\frac{11}{16}$	8$\frac{11}{16}$
SDR Linked Dep Bid	-	-	8½	8½	8⅝	8⅝
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 13¼ per cent; three months 13¼ per cent; Bank Bills (sell): one-month 13½ per cent; three months 13½ per cent; Treasury Bills: Average tender rate of discount 13.2667 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1989. Agreed rates for period June 24, 1989 to July 25, 1989, Scheme I & II: 14.02 p.c. Scheme II & III: 14.45 p.c. Reference rate for period April 29 to May 31, 1989, Scheme IV & V: 13.151 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from May 1, 1989; Bank Deposit Rates for sums at seven days' notice 5 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

[illegible]

JOTTER PAD

CROSSWORD

No.6,947 Set by QUARK

ACROSS

1 and 4 Spiderman? (6,3,5)
9 Sounds like a country bribe (6)
10 Mutilate exchange to make final point (8)
12 A fabric of great importance (8)
13 "Cued badly to a degree" claim (6)
15 Jock's veg enjoyed by one epicure (4)
16 The subject matter making one pleased? (7)
20 Cut nearly all? Quite a few (7)
21 Rose bush pruned for a French region (4)
25 A term or name (6)
26 Vegetable? Something laid, set into the ground (8)
28 Coach in street going round tailless lorry (8)
29 Man's description in sci-fi? (6)
30 Tree-top hroken by climber's foot, a slow mover (8)
31 A universal test tried should be representative (6)

DOWN

1 Military unit, e.g. replaced one in old clothing (8)
2 The break that could be a vent (8)
3 Holiday spot to arrange once more? (6)
5 There's body in this port (4)
6 The structure that could lead society (8)
7 For all to see at the Academy – the rising sun, a planet (6)
8 Team part of panel event (6)
11 Bat gets oner after scramble (he's entitled) (7)
14 Good man has a row: that's odd (7)
17 Wherein rested the bird at Christmas (4,4)
18 An American tree – and brute to demolish (8)
19 One well known for grasping characteristic (8)
22 RM with ship could be found at sea (6)
23 It's near front of the cupboard (6)
24 Wreck round the north produces strip of wood (6)
27 Part of RAC requirement – a land unit (4)

Solution to Puzzle No.6,946

WORLD STOCK MARKETS

INDICES

NEW YORK DOW JONES

	May 26	May 25	May 24	May 23	1989 High	1989 Low	Since compilation High	Since compilation Low
♣Industrials	2493.77	2482.59	2483.87	2478.01	2502.02 (22/5)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.38	90.38	90.62	90.45	90.62 (24/5)	87.35 (23/3)	–	–
Transport	1165.59	1152.65	1154.27	1155.56	1165.59 (26/5)	959.95 (3/1)	1165.59 (26/5/89)	12.32 (8/7/32)
Utilities	201.16	199.27	199.74	199.38	201.16 (26/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♣Day's High 2501.83 (2498.72) Low 2473.06 (2467.56)

STANDARD AND POOR'S	May 26	May 25	May 24	May 23	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	321.59	319.17	319.14	318.32	321.98 (22/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	369.20	366.50	366.05	364.72	369.20 (26/5)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	30.05	29.81	29.80	29.85	30.07 (22/5)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	179.31	178.05	177.97	177.61	179.35 (22/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	355.01	352.65	351.00	350.96	355.01 (26/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	445.21	442.89	441.49	440.15	445.21 (26/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 19	May 12	May 5	year ago (approx.)
Dow Industrial Div. Yield	3.35	3.43	3.51	3.68
	May 24	May 17	May 10	year ago (approx.)
S & P Industrial div. yield	3.03	3.04	3.12	2.94
S & P Indl. P/E ratio	13.46	13.42	13.54	15.35

TRADING ACTIVITY † Volume

Millions	May 26	May 25	May 24
New York	143.619	154.916	178.600
Amex	11.732	11.457	11.415
OTC	116.990	129.663	122.357

NEW YORK	May 26	May 25	May 24
Issues Traded	1950	1968	1,946
Rises	1025	819	768
Falls	412	636	640
Unchanged	513	513	538
New Highs	129	110	81
New Lows	16	12	25

CANADA

TORONTO	May 29	May 26	May 25	May 24	1989 High	1989 Low
Metals & Minerals	3403.7	3402.5	410.8	3376.9	3564.9 (6/2)	3207.5 (3/1)
Composite	3686.9	3683.2	3667.8	3667.5	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1889.3	1889.31	1881.89	1884.79	1901.24 (19/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Texaco	5,492,20	5	− 1¼
Texas Utilities	2,119,900	31	+ ¼
UNC inc	2,054,300	7⅛	
Maytag	1,682,800	23	− ½
Sea Containers	1,665,700	57⅛	+ 9⅜
Eastman Kodak	1,561,000	45⅝	+ ¾
Avon Prod	1,557,500	36¼	+ 1⅛
Gen Electric	1,545,630	54¼	+ 1½
Unisys Corp	1,481,500	26⅛	+ ⅛
Citizens	1,427,600	33½	+ 1¼

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 30	May 29	May 26	May 25	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1542.6	1535.9	1530 B	1544 1	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	692.1	690.7	684.7	687.5	727.0 (26/1)	652.6 (7/4)
AUSTRIA Credit Aktien (30/12/84)	326.33	320.93	319.47	(c)	326.33 (30/5)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	6106.67	6125.62	6118.82	6092.89	6125.62 (29/5)	5619.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	308.57	303.84	301.35	302.74	310.64 (16/5)	275.49 (27/2)
FINLAND Unitas General (1975)	809.6	807.6	804.8	803.8	815 B (18/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	477.1	477 8	478.5	469.4	478.5 (26/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	112.0	112.2	112.0	111.7	112.2 (29/5)	97.5 (27/2)
GERMANY FAZ Aktien (31/12/58)	585.00	576.57	575.36	(c)	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1738.4	1713.0	1708.4	(c)	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1403.17	1385.57	1375.94	(c)	1403.17 (30/5)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	2805.46	2845.01	2765.67	2752.51	3309.64 (15/5)	2706.69 (3/1)
ITALY Banca Com. Ital. (1972)	610.85	609.18	603.40	600.14	620.30 (24/4)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	34076.89	34160.83	34191.62	34005.3	34191.62 (26/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2522.59	2531.27	2531.16	2519.50	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS CBS Tr.Rtn.Gen. (End 1983)	245.5	245.1	243.6	243.4	245.5 (30/5)	208.3 (3/1)
CBS All Shr (End 1983)	191.3	190.9	189.8	189.7	191.3 (30/5)	166.7 (1/3)
NORWAY Oslo SE (2/1/83)	648.68	651.74	651.28	649.72	665.61 (19/4)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1275.17	1265.49	1269.58	1257.72	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1375.0♣	1379.0	1411.0	1398.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2415.0♣	2420 0	2440.0	2390.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	313.12	312.69	310.27	(c)	313.12 (30/5)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	4053.9	4050.2	(u)	4035.2	4053.9 (30/5)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	671.8	664.8	665.3	668.6	686 0 (28/4)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	502.0	507.3	500.9	519.0 (17/2)	491.2 (28/3)

♣ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 30 May 1989

	Stocks Traded	Closing Prices	Change on day
Furukawa Electric	22.7m	1,250	-20
Kawasaki Kisen	21.3m	965	-5
Shimizu	18.2m	2,120	+30
Citizen	17.6m	1,160	+40
Hitachi Zosen	17.6m	879	-1
Toshiba	17.4m	1,380	-10
NOK	14.2m	1,650	+90
Ohbayashi	13.6m	1,610	-60
Kawasaki Steel	12.8m	1,020	-10
Kawasaki Heavy Ind	11.3m	1,160	0

3pm prices May 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
31⅛	21¼	AAR	.44	1.4	21	371	31¼	20⅞	31¼	+ ¼
10⅛	8⅛	ACM n	1.01	11.		172	9¼	9	9⅛	
11⅞	10¼	ACMIn	1.26e	12.		260	11	10⅞	10⅞	– ⅛
10⅛	8½	ACM M	n1.09	11.		152	9¼	9⅛	9⅛	– ⅛
11½	10¼	ACM Sc	1.26	12.		412	10⅞	10⅞	10⅞	
10	8⅞	ACMSp	1.01	11.		348	9	8⅞	8⅞	
11¼	10⅞	AL Lab	.12	.7	18	44	16⅞	16½	16½	– ⅛
4⅝	2⅞	AMCA	.12e	2.9	28	54	4⅛	4	4⅛	
6⅛	3½	AM Intl				689	5⅝	5⅜	5⅜	– ⅛
23½	18¾	AM In pf	2	8.9		41	22⅝	22¼	22⅛	– ⅛
65⅝	40	AMR			7	6898	65	61⅛	61⅞	–2⅝
27	25	ANR pf	2.67	10.		18	25⅛	25¼	25¼	+ ⅛
9½	3¼	ARX				72	4½	4½	4½	
47	38¼	ASA	3e	7.8		190	39⅝	39½	39½	
22⅝	15¼	AVX	.24	1.1	10	989	22⅛	21½	21½	– ¼
66⅞	42⅛	AbtLab	1.40	2.4	17	2912	66	57¼	57⅝	–1⅛
19	15½	Abitibi g	1			139	18⅞	18½	18⅝	
12	7½	AcmeC	.40	3.9		89	10½	10¼	10½	+ ⅛
9	5⅞	AcmeE	.32	4.1	18	12	7⅞	7⅞	7⅞	+ ⅛
34⅞	20⅛	Acuson			27	320	u34¾	34⅛	34¼	
19⅞	14¼	AdaEx	1.82e	12.		390	15⅛	15⅛	15⅛	
18⅞	7½	AMD				15050	10⅞	9⅝	10¼	+ ⅝
43½	28¾	AMD pf	3	8.9		78	33⅞	33¼	33¼	+ ½
9⅝	8½	Adobe				42	9½	9⅛	9⅛	– ⅛
18¼	16½	Adob pf	1.84	10.		15	18	18	18	+ ¼
8¼	6⅛	Advest	.12	1.7	17	13	7¼	7¼	7¼	
54⅞	42¼	AetnLf	2.76	5.1	9	1906	54⅛	53⅛	53¼	

Continued on Page 45

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices May 30

OVER-THE-COUNTER

Nasdaq national market, 3pm prices May 30

AMERICA

Dow retreats despite talk of monetary easing by Fed

Wall Street

WHILE BONDS rallied on talk of a slight monetary easing by the US Federal Reserve, equities traded quietly in a narrow range yesterday morning, before moving lower after lunch, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 15.46 points lower at 2,478.31 on low volume of 89m shares.

The equity market is as concerned with its own technical position as with economic fundamentals and speculation about policy.

The Dow Jones index is still near its post-crash peaks and has registered a broad and impressive advance in the last few weeks. The gains posted by large capitalisation issues have been matched by buying of secondary stocks, suggesting that there has been genuine depth in the stocks rally. The question, of course, on everyone's minds is how long the buying can continue.

Developments in other markets had little perceivable impact on stocks yesterday. US Treasury bonds rallied about ½ point on talk that the Fed may ease monetary policy a notch, pushing the Fed Funds rate lower, in order to halt the rally in the dollar.

It is by no means clear that a consensus will be reached within the Fed on this subject as domestic economic fundamentals, such as last Friday's 1.1 per cent rise in consumer spending in April, tend to argue against an easing.

The decision to ease will depend on the balance of priorities between inflation and any desire to stop the dollar from rising. Those Fed officials who favour a slight easing may argue that the dollar's appreciation this year has already acted as a significant deflationary influence and that, at current levels, the currency threatens the continuing ability to export and the whole process of trade adjustment.

Some equity dealers started talking yesterday about the fact that an unrelieved rise in the dollar is not all good news for stocks, particularly those which are heavily dependent on export markets.

There was no hint of a change in Fed policy yesterday in its money market operations and many market participants doubt that the central bank will make such a critical decision in advance of Friday's employment figures.

Among featured stocks was Dunkin' Donuts which dropped $2⅞ to $35 in over-the-counter trading after the company announced that it had repurchased 355,000 of its common shares and intended to repurchase another 1,445,000.

Also in the Nasdaq market, Sun Microsystems jumped $1⅞ to $22¼ on news of a licensing agreement with Toshiba of Japan, which has said that it will develop a new class of computers based on two of Sun's products.

NWA added $1⅞ to $107¼. Yesterday was the deadline for possible bidders to submit offers to the airline company. Pan Am, a possible bidder, dipped $⅛ to $4⅞.

Kinder-Care Inc added $⅛ to $8¼ on news that it will spin off Kinder-Care Learning Centres in a $215m restructuring aimed at reducing debt.

Texaco, which went ex dividend, was one of the most actively traded stocks on the New York Stock Exchange and added $⅜ to $51⅜.

American Telephone & Telegraph added $⅛ to $35⅞ after the company and unions agreed a three-year contract involving only modest wage and benefits improvements.

Canada

CONTINUED strength in the US dollar seemed to confuse a cautious Toronto stock market which lost a little shine at midsession, dropping back after an early jump.

The composite index rose 8.2 to 3,695.1, and advancing stocks led declining ones 219 to 210.

EUROPE

Frankfurt leads bourses in advances to year highs

INVESTORS in Europe shrugged off interest rate concerns and went on a buying spree, notably in West Germany where prices climbed and turnover soared, *writes our Markets Staff.*

FRANKFURT returned to its ... highs in the most active ...ion since the October 1987 ...h, as foreign and domestic ...tors took the view that ...llar's strength was good ...orters and interest rate ...re overdone.

...FAZ index reached ... midsession, a rise of ...ch left it just 0.28 ...m its year's peak ... April 13. The DAX ... blue chips hit a new ... the year, climbing ...he key 1,400 level to ...03.17, a gain of 17.60.

...ver in German shares ...o a dazzling DM7.6bn, ... on the previous post- ...ecord of DM7.3bn seen ...il 13.

...end comments by Mr ...tto Pöhl, Bundesbank ...ent, had reassured investors that the central bank ...l not raise interest rates ...s council meeting tomorrow. In any case, increases so ... this year had done nothing ...hurt order inflows and profit ...ecasts of leading companies, ...d one analyst.

Cars again benefited from ...e interest in exporters, with ...W up DM12.70 at DM398.50 ...fter touching DM400. Tyremaker Continental added DM7.10 to DM273.30 on its plans to buy a majority of Swedish company Nivis Tyre.

Chemicals were strong, steel issue Thyssen gained DM7 to a year's high of DM256, and constructions rose amid news that growing immigration was increasing the need for apartments. Bilfinger and Berger climbed DM28 to DM468, helped by its part in a bid for a $6bn Libyan irrigation contract with Bouygues of France.

PARIS had a moderate day, with prices edging higher in selective buying. Volume was estimated by one house at FFr2bn, with Eurotunnel the most active stock as it rose FFr3 to a year's high of FFr126 on 1.6m shares following buy recommendations.

The OMF 50 index added just 0.59 to 494.58, while the CAC 40 was 2.06 higher at 1,722.87. The opening CAC General was off 0.7 at 477.1.

LVMH attracted speculative buying as a Paris commercial court ruled that share warrants bought by Mr Bernard Arnault, the group's chairman, should be frozen before a shareholders' meeting on June 9. The share soared to FFr4,399 before ending FFr142 higher at FFr4,287 amid speculation Mr Arnault would have to buy shares to support his position against Mr Henry Racamier.

Construction stock Bouygues was active, rising FFr33 to FFr674 on its forecast of a good year, the strength of television advertising revenue, and its bid for the Libyan irrigation contract.

MADRID opened in spite of a one-day strike by employees of stockbrokers and of the exchange's governing board. Stockbrokers turning up for work had to run the gauntlet of pickets at the entrance.

Brokers' employees fear they may lose their jobs after a reform abolishing the monopoly of brokers in all share transactions takes effect at the end of July.

The stockbrokers limited trade to half of the 120 leading stocks. Shares closed mostly higher, pushing the index to a new 1989 high of 313.12, up 0.46.

AMSTERDAM was mainly firmer after a hesitant session as export-dependent issues drew on the dollar's strength. The CBS tendency index added 0.4 to 179.8 and a modest Fl 720m worth of shares changed hands.

Insurer NatNed continued a run of gains, adding Fl 1.80 to Fl 62.0 with first quarter results due today.

Grey market trading in truck manufacturer Anglo-Dutch DAF remained buoyant before tomorrow's close of share applications. The 17.9m share issue is expected to be well oversubscribed. It was quoted up 10 cents at Fl 56.40, at a distinct premium to its Fl 47 issue price.

ZURICH picked up as investors took the view that interest rates had probably peaked. The Swiss Bank industrial index rose 7 to 671.8.

MILAN edged slightly higher in moderate trading with sustained demand for Fiat before the release of 1988 group results. The Comit index gained 0.82 to end at 610.00.

Fiat rose L74 to L9,364, but fell back after hours to L9,350.

STOCKHOLM climbed steadily after morning losses and finished at a new record in very thin volume of SKr322m. The J&P index 3.7 to 4,053.97.

SCA, the pulp and paper company, went ex a dividend of SKr7.25 and its free B-shares fell SKr12 to SKr390. Interim results showed a 16 per cent rise in profits, but a company statement said SCA would not be able to maintain profit growth at its present rate throughout 1989.

COPENHAGEN rose across the board in active turnover as investors took a positive view of government tax reform proposals unveiled last week.

VIENNA moved higher, with the index closing at 353.29, up 7. Montana, the bio-chemical and financial services group, rose by Sch9,600 to Sch50,000 following the successful outcome of a court case and its excellent results for 1988.

Smaller exchanges register sweeping swings

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+2.86	+0.23	+55.19	+36.52	+40.54
Belgium	-0.68	+1.79	+24.31	+8.44	+9.72
Denmark	-1.41	-0.24	+57.50	+12.95	+14.64
Finland	+0.14	-2.70	+16.76	+16.14	+25.31
France	+2.89	+3.00	+47.04	+13.07	+15.78
West Germany	+1.39	-0.14	+27.06	+4.13	+5.74
Ireland	-2.15	-2.34	+24.75	+17.37	+19.42
Italy	-0.10	-2.66	+24.29	-1.52	+1.89
Netherlands	+1.34	+2.38	+31.47	+14.05	+16.09
Norway	-1.48	+1.48	+74.29	+41.54	+48.74
Spain	+1.01	+3.45	+9.03	+10.29	+14.50
Sweden	+0.78	+4.52	+44.21	+19.88	+25.42
Switzerland	-1.79	-4.63	+10.87	+2.76	+1.27
UK	-2.59	+1.38	+19.86	+18.92	+18.92
EUROPE	-0.66	+0.95	+24.65	+12.78	+14.02
Australia	-2.47	+2.99	+0.27	+3.29	+4.55
Hong Kong	-12.86	-11.85	+15.93	+3.66	+18.43
Japan	+0.20	+0.98	+21.56	+8.71	+7.40
Malaysia	-3.48	-0.20	+35.79	+22.88	+40.90
New Zealand	-3.46	-3.56	-5.01	+3.26	+11.12
Singapore	-2.44	+2.50	+35.15	+26.19	+43.03
Canada	+0.11	+1.80	+14.96	+8.90	+23.93
USA	+0.17	+4.19	+26.83	+15.82	+31.86
Mexico	+9.38	+21.48	+58.41	+45.74	+53.95
South Africa	+3.73	-6.37	+44.12	+22.89	+29.43
WORLD INDEX	-0.12	+1.88	+23.44	+10.78	+16.49

† Based on Friday, May 26th, 1989
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By Alison Maitland

SHARP movements in some of the world's smaller markets dominated the global equity scene for a second week last week as Mexico soared and Hong Kong plummeted.

Performance was far more muted in the leading markets of the US and Japan, so that the FT-Actuaries World Index ended almost unchanged, with a loss of just 0.1 per cent.

Mexico built on its 13 per cent leap the previous week with a further rise of 9.4 per cent in local currency terms as investors continued to welcome the opening up of the country and the market to overseas money.

Earlier this month, regulations governing direct foreign capital investment in Mexico were liberalised, while an easing of the rules on overseas ownership of shares is due in the next couple of months. The strong climb in the past two weeks, also helped by progress on the debt problem, has pushed Mexico into top place for performance this year, with a rise of 45.7 per cent in local currency terms.

Turnover, at some 25m shares per day, has not increased this year with the rise in share prices, according to Mr Tony Ewell of Corporate Broking Services, which specialises in emerging markets such as Mexico. However, he thinks "it will improve as more and more people become aware of the market."

At the other end of the scale, Hong Kong fell by 12.9 per cent last week in hectic trading, adding to its loss of 4.2 per cent a week earlier, as reports on the unfolding political situation in China sent investors rushing for the door.

The activity was not entirely one-sided, however: last Tuesday, the Hang Seng index leapt 9 per cent on bargain-hunting after its 11 per cent fall the previous day.

Elsewhere in the world, South Africa made a particularly strong showing after losing badly the previous week, but its 3.7 per cent gain was related to currency movements rather than any change in fundamentals. The week had started badly, with the strong dollar depressing the price of gold, but by the end of the week the US currency had reversed and bullion was firm again. A weak financial rand provided a further boost.

It was a mixed week for European markets, with the UK falling 2.6 per cent as the pound slid and interest rates moved up, while a resurgence of speculative activity took France by storm, sending it 2.9 per cent higher

Austria continued to outperform with a 3 per cent rise, giving it a 36.5 per cent advance so far this year and narrowing the gap with Norway, still the European leader with a 41.5 per cent gain.

Sweden managed only a 0.8 per cent rise last week, but it has proved the best European performer this month, with a gain of 4.5 per cent. Switzerland, hit last week by interest rate fears, has been the worst performer in the past four weeks, falling 4.6 per cent.

Over the longer-term, Italy is the only market in the FT-A series to be lower now than at the start of the year, while New Zealand alone languishes below its level a year ago.

ASIA PACIFIC

Investors scared away by weakness of yen

Tokyo

THE YEN took another nasty beating from the dollar and scared investors away from the equity market again, leading share prices lower in extremely thin volume, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average, which kept losing in early trading as the yen continued to slip against the dollar, had fallen by nearly 150 points by midsession.

But late buying by investment trust funds supported a last-minute recovery that helped the Nikkei trim its losses and close down 83.94 at 34,076.89.

The day's high was 34,162.01 while the low, reached just two minutes before the close, was 33,990.19. Declines outnumbered advances by 522 to 377 while 185 issues were unchanged.

Turnover was paltry at 690m shares, down from the 934m traded on Monday. The Topix index of all listed shares declined 8.68 to 2,522.59, but in later London trading the ISE/Nikkei 50 index rose 1.40 to 2,011.63.

"The desire to buy is there," *said Mr Mitsuru Maekawa at* Jardine Fleming, "but investors are frightened by the currency situation."

Yesterday the yen reached a new low for the year and the Bank of Japan was obliged to intervene in the foreign exchange market several times to curb the dollar's seemingly uncontrollable rise.

This was in spite of the Bank's decision to raise Japan's official discount rate by 0.75 per cent, effective today, and despite efforts by the monetary authorities to make it clear they were intent on supporting the yen.

The most damaging news for the equity market was the fact that the Bank's decision on the discount rate increase did not have the intended effect of curbing the dollar's further rise.

The market has now been left to speculate on a further increase in the discount rate, leaving the same cloud of uncertainty hanging over it that has kept turnover at dismal levels for the past few weeks.

While the yen's weakness yesterday made it difficult for investors to buy actively, there was confidence that equities would be strong in the near future. A flood of funds from new investment trusts, estimated at Y400bn for this week, was expected to flow into the equity market. With the budget having been passed, a significant proportion of public funds was also expected to come into the market.

Yesterday, however, investors turned to profit-taking in the face of an uncertain foreign exchange market. Interest was seen mainly in specific situation stocks. NOK, a leading manufacturer of oil seals, surged Y90 to a new high of Y1,650 in active trading amid rumours that it was being bought by speculators.

Other issues that attracted buying during the day ended lower on quick profit-taking. Furukawa Electric, the top volume issue with 22.7m shares traded, added Y30 to Y1,300 before closing down Y20 at Y1,250. Kawasaki Kisen, the shipping company, followed with 21.3m shares and closed down Y5 at Y965 after rising Y18 to Y988 during the day. It had been bought on its higher than expected pre-tax profits of Y1.7bn.

Shimizu, the large construction company, was third in volume terms with 18.2m shares dealt and advanced Y30 to Y2,120. It was selected on its better earnings, although it too fell from its day's high of Y2,210.

Currency worries kept investors sidelined in Osaka. The OSE average shed 104.73 points to 33,014.46 and turnover sank to 40.5m shares from 90.3m traded on Monday. Nintendo, the maker of video computer games, rose Y300 to Y10,000.

Roundup

NERVOUSNESS over the way in which the Chinese authorities would handle the students' unrest continued to cast a cloud over Hong Kong while Singapore, Australia and Taiwan all advanced.

HONG KONG investors took profits amid rumours in the market of plans to use military force against student demonstrators in Peking, and concern over Deng Xiaoping's failing health.

The Hang Seng index ended 39.55 points lower at 2,805.46. Turnover fell to HK$1.14bn from HK$2.04bn on Monday.

News of protests in Peking against the disappearance of three pro-democracy workers fuelled pessimism about developments during the afternoon.

Hongkong Land topped the active list, falling 10 cents to HK$9.40, followed by Swire A, down 50 cents to HK$18.50. Jardine Matheson fell 40 cents to HK$20.40.

AUSTRALIA initially witnessed strong buying, mainly carried over from Monday's strong afternoon session. The resources sector registered the best gains, as buying related to a weak Australian dollar drove share prices higher.

Profit-taking surfaced in the afternoon session with selling generally across the board, but the All Ordinaries index closed 6.5 points up at 1,542.4.

Leading currency-sensitive stocks were sold when the volatile Australian dollar climbed at one point to US$0.7523 but selling stopped when it later fell below 0.75 cents.

SINGAPORE closed generally firmer on short-covering and bargain hunting in moderate trading after recent declines.

Institutional buying pushed up several blue chips but most investors stayed on the sidelines awaiting a fresh lead from Wall Street.

The Straits Times industrial index climbed 12.68 points to close at 1,278.17. Rising stocks outnumbered falling ones by 157 to 35 but turnover contracted to 51.5m shares from Monday's 58.3m.

TAIWAN rose to its second consecutive all-time high with attention concentrated on the financial sector. The weighted index climbed 150.48 to 9,846.15.

SOUTH AFRICA

JOHANNESBURG stocks ended narrowly mixed yesterday after a quiet and trendless day's trading, reflecting a general lack of interest before today's Republic Day holiday. Gold shares drifted aimlessly as the bullion price hovered above $360.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 29 1989						FRIDAY MAY 26 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (88)	133.32	+0.5	124.39	118.82	+0.5	4.87	132.70	123.81	116.28	157.12	128.28	140.60
Austria (19)	118.81	+0.3	110.85	121.38	+0.3	2.13	118.44	110.51	121.00	124.18	92.84	87.79
Belgium (63)	130.14	+0.0	121.42	132.38	+0.0	4.14	130.20	121.48	132.45	137.10	126.33	120.18
Canada (125)	138.67	+0.0	127.52	118.25	+0.0	3.32	138.66	127.51	119.24	138.05	124.67	116.18
Denmark (38)	173.07	+0.8	161.48	181.13	+0.9	1.86	171.57	160.08	179.56	181.03	165.35	127.71
Finland (26)	144.49	+0.3	134.81	133.18	+0.3	1.57	144.06	134.41	132.78	159.16	125.81	133.86
France (128)	117.06	+0.1	109.22	123.67	+0.1	8.07	116.99	109.16	123.60	122.79	112.57	93.58
West Germany (100)	82.13	+0.5	76.63	84.93	+0.5	2.39	81.69	76.22	84.47	90.40	79.56	75.00
Hong Kong (49)	119.44	+2.7	111.44	119.29	+2.7	4.52	116.31	108.52	116.17	140.33	111.80	98.94
Ireland (17)	138.17	+0.0	128.92	144.80	+0.0	2.91	138.22	128.97	144.86	151.38	125.00	133.28
Italy (97)	76.92	+0.9	71.76	82.54	+0.9	2.58	76.19	71.09	81.77	86.88	74.97	68.83
Japan (455)	180.99	+0.2	168.87	161.77	+0.2	0.47	180.66	168.56	161.47	200.11	177.72	166.17
Malaysia (36)	179.06	+0.8	167.07	185.48	+0.8	2.57	177.61	165.71	183.97	184.26	143.35	136.11
Mexico (13)	224.69	+2.7	209.65	605.69	+2.7	0.83	218.83	204.18	589.89	224.69	153.32	152.18
Netherland (42)	115.36	+0.7	107.64	117.94	+0.7	4.37	114.62	106.84	117.18	122.22	110.63	102.58
New Zealand (24)	65.69	−0.4	61.30	58.59	−0.4	6.29	65.97	61.56	58.84	76.02	65.69	80.68
Norway (25)	181.75	+0.1	169.58	175.46	+0.1	1.51	181.51	169.35	175.23	198.39	139.92	120.22
Singapore (26)	157.13	+0.0	146.61	141.38	+0.0	1.91	157.17	146.65	141.42	160.35	124.57	112.57
South Africa (60)	131.14	−1.3	122.36	119.19	−1.3	4.43	132.84	123.94	120.73	144.86	115.35	129.96
Spain (43)	149.98	+0.5	139.93	141.17	+0.5	3.54	149.23	139.24	140.47	156.17	143.14	150.52
Sweden (35)	160.23	+0.8	149.50	158.09	+0.8	2.17	159.31	148.64	157.19	162.00	138.45	124.08
Switzerland (57)	69.52	+0.1	64.87	74.82	+0.1	2.51	69.45	64.80	74.74	79.76	67.81	76.30
United Kingdom (314)	141.35	+0.0	131.88	131.88	+0.0	4.36	141.35	131.88	131.88	153.33	134.53	137.75
USA (558)	131.09	+0.0	122.31	131.09	+0.0	3.41	131.09	122.31	131.09	131.21	112.13	103.36
Europe (1005)	115.14	+0.2	107.43	113.65	+0.2	3.58	114.87	107.18	113.38	121.70	112.65	107.30
Nordic (125)	152.31	+0.8	142.11	147.27	+0.6	1.94	151.40	141.26	146.40	155.61	137.95	118.62
Pacific Basin (878)	176.81	+0.2	164.79	158.15	+0.2	0.70	178.20	164.40	157.78	194.72	173.87	162.54
Euro–Pacific (1683)	152.05	+0.2	141.86	140.40	+0.2	1.59	151.69	141.53	140.07	164.22	149.40	140.46
North America (683)	131.33	+0.0	122.54	130.35	+0.0	3.41	131.33	122.54	130.35	131.50	112.79	104.04
Europe Ex. UK (691)	98.81	+0.4	92.18	102.36	+0.4	2.95	98.39	91.80	101.93	105.29	96.30	88.45
Pacific Ex. Japan (223)	124.08	+1.1	115.77	112.86	+1.1	4.53	122.73	114.51	111.63	137.65	122.73	118.82
World Ex. US (1881)	151.35	+0.2	141.21	139.66	+0.2	1.66	151.02	140.91	139.36	162.77	148.80	139.53
World Ex. UK (2125)	143.28	+0.2	133.69	137.21	+0.2	2.04	143.05	133.47	136.99	146.04	138.06	124.39
World Ex. So. Af. (2379)	143.17	+0.2	133.58	136.82	+0.2	2.23	142.95	133.38	136.81	146.65	138.82	125.54
World Ex. Japan (1984)	125.09	+0.1	115.72	123.81	+0.1	3.52	124.95	116.58	123.66	126.02	114.51	106.09
The World Index (2439)	143.09	+0.1	133.51	136.70	+0.1	2.24	142.89	133.32	136.50	146.51	138.83	125.57

Latest prices were unavailable for this edition.
Markets closed on May 29: UK and USA.
Amendments to indices for May 29 applied to Norway and the related regional indices.